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NEWS SUMMARY

GENERAL

Unofficial action by water workers

Water supply workers in the North East yesterday began unofficial action over the national 10 per cent pay offer. Union officials feared it might spread.

Between 100 and 200 maintenance workers are refusing to work overtime, to stand by, or to attend emergencies except at hospitals or old people's homes.

The action is the first since pay negotiations ran into difficulty. A General and Municipal Workers' Union conference at the weekend voted in favour of official action at the end of the month if necessary. Back Page

Pope escapes

A bomb exploded in Karachi's National Stadium shortly before Pope John Paul II arrived to celebrate Mass there, killing the man who carried it. Marcos seeks blessing Page 3

Basques strike

The Basque country was paralysed by a general strike in protest at the death in police custody of a suspected Basque separatist. Page 2

Reunion hopes

Germany could be reunited if West Germany began a "socialist transformation," East German leader Erich Honecker said. Page 2

IRA man jailed

A Belfast man was jailed for 20 years for the manslaughter of German diplomat Thomas Niedermayer, who died while being kidnapped by the IRA in 1973.

Students angry

Polish students in Warsaw, Krakow and Katowice came nearer to striking over demands that the Government register a new students' association. Page 2

Envoys expelled

Czechoslovakia ordered several French diplomats in Prague to leave the country, accusing them of spying, after France expelled Czech attachés in Paris.

Fire toll 44

The number who died in a Dublin fire at the weekend was given as 44, not 48 as earlier reported. Only 29 have been identified.

Manley will stay

Jamaican Opposition leader Michael Manley withdrew his resignation as leader of the People's National Party.

8p letter rate

Postage for a letter within the Isle of Man—Britain's lowest—will rise from 7p to 8p on Monday.

Iranians protest

A group of 38 Iranian intellectuals, including opponents of the late Shah, said Islamic rule had returned repression, torture and injustice to Iran.

Empty gesture

Kirklees Council refused to accept 48 crates of empty lemonade bottles in payment of John Beaumont's rates. He was protesting against high rates "crippling small businesses."

Briefly . . .

Qantas flights to and from Heathrow today have been cancelled because of a strike.

A football fan was jailed for six months after running on to the field during a Leeds United-Middlesbrough match.

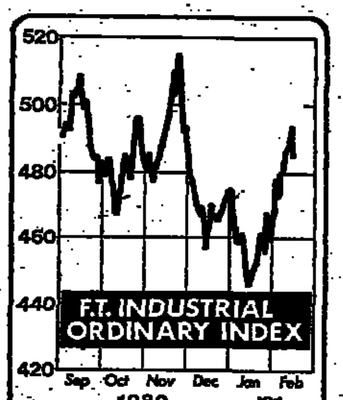
Zimbabwe High Commission was opened in the former Rhodesia House in London.

About 40 homosexuals are known to have been killed or disabled in attacks in the past three years, a report said.

BUSINESS

Equities off 8.7; Gilts steady

● EQUITIES closed 8.7 down at 484.5, the day's lowest, after miners' leaders called for a strike in South Wales. The record January trade surplus



had little impact on share prices but boosted short-medium GILTS, which resisted the adverse influences, and the Government Securities index closed 0.05 higher at 69.09. Page 30

● GOLD closed $3 lower in London at $490.50. Page 24

● DOLLAR closed at DM 2.2460 (DM 2.2175), SwFr 2.0460 (SwFr 2.0200), and Y207.5 (unchanged). Its trade-weighted index was 102.2 (101). Page 24

● STERLING closed at $2.2570, a fall of 2.825c. Its trade-weighted index was 103.5 (103.8). Page 24

● BRITISH AEROSPACE 100m share offer at 150p a share attracted 155,000 applications for a total of 350m shares. Back Page

● LONRHO, which has bid 150p a share for House of Fraser, said its new Fraser board would include directors with extensive experience of the Fraser group's operations. Page 19; Lex, Back Page

● INSIDER TRADING allegations have been made in New York against five men, including two former employees of Wall Street investment banks. Page 4

● EEC Council of Ministers will today discuss unilateral measures to stem Japanese imports. Page 6

● SOUTH AFRICAN Finance Minister Owen Horwood relaxed foreign exchange controls in a pre-election mini-Budget. Back Page

● BRITISH SUGAR Corporation confirmed it will close four of 17 processing factories with the loss of 750 jobs. Back Page; Feature Page 8

● SYNTHETIC FIBRE output fell by a quarter last year to its lowest level since 1967 and 10,000 jobs were lost. Page 7

● FMC, Britain's biggest pig curer, has given notice that it may break its pricing contract with the National Farmers' Union because of the weak bacon market. Page 29

● AURORA HOLDINGS, engineering to steels group, is to receive Industry Department and European Coal and Steel Community grants and loans of nearly £1.3m. Back Page

● TOYOTA, Japan's largest car maker, predicted a 30 per cent fall in operating profits for the full year to Y204bn (£427m). Page 23; Lex, Back Page; Daimler-Benz lifts sales, Page 22

● SCHERING, West German chemicals group, said 1980 profits topped 1979. Sales rose 19.5 per cent to DM 3.2bn. Page 22

● DRAKE AND SCULL Holdings, electrical, mechanical and construction engineer, said pre-tax profits fell from £2.6m to £2.17m in the year to end-October. Page 18

CHIEF PRICE CHANGES YESTERDAY

(Prices in pence unless otherwise indicated)

RISES			FALLS		
Exchq. 3% 1983	£88¼	+ ¼	Boots	245	− 6
Exchq. 11¼% 1986	£96	+ ¼	Brown (J.)	70	− 5½
Davis (Godfrey)	170	+ 13	Common Brothers	303	− 9
Flight Refuelling	285	+ 8	First Castle	98	− 10
Geers Gross	65	+ 5	GEC	630	− 15
Heath (C. E.)	208	+ 13	Glaxo	264	− 8
Henlys	81	+ 4	Hawker Siddeley	284	− 8
Joseph (Leopold)	260	+ 10	ICI	290	− 12
Kent (M. P.)	113	+ 5	Land Securities	395	− 11
Philips Lamps	342	+ 12	Lloyds Bank	325	− 11
Reckitt & Colman	187	+ 5	Man. Ship Canal	150	− 10
Redfearn	122	+ 6	Midland Bank	325	− 13
Sedgwick	122	+ 4	NatWest Bank	335	− 13
Guthrie	750	+ 38	Peters Stores	114	− 8
Anglo-American			Reardon Smith	173	− 11
Corp.	610	+ 20	BP	395	− 10
Charter Cons.	225	+ 3	LASMO	640	− 30
RTZ	490	+ 17	Shell Transport	410	− 10
FALLS			Allstate Exploration	60	− 5
Beecham	176	− 7	Geevor Tin	140	− 8
			Pahang Cons.	171	− 5
			Sungei Besi	205	− 10

Howell and Ezra fix talks as miners start closure strikes

BY CHRISTIAN TYLER AND ROBIN REEVES

THE GOVERNMENT moved last night to defuse a possible political crisis sparked by the decision of miners in South Wales to go on strike from this morning in protest at colliery closures.

A meeting between Mr. David Howell, Energy Secretary, Sir Derek Ezra, chairman of the National Coal Board and leaders of the three mining unions has been arranged for next Monday.

But the meeting may be too late to prevent the National Union of Mineworkers deciding on Thursday to go ahead with its threatened ballot for a national strike, in which an 80 per cent majority for action was again predicted by union leaders yesterday.

By Monday night, 26,000 Scottish miners and 3,000 Kent miners may have joined their South Wales colleagues and stopped work. Mr. Michael McGahey, president of the Scottish NUM, said some of his branches may strike sooner. It was not clear yesterday whether the South Wales strikers would take up the offer this week from the militant Yorkshire coalfield—Britain's biggest—for sympathetic strike action.

Although recognising the seriousness of the miners' threat, ministers appear anxious not to play their cards too quickly. They hope to settle the row before any date is set for a strike. It would be the first all-out miners' strike since 1974, which provoked a general election defeat for Mr. Heath's Government.

Ministers will express their commitment to the industry's modernisation programme, and may divulge plans for increasing redundancy pay. At present redundant miners qualify for between £1,730 and £17,000 depending on age and experience, with an average of around £4,000. That average might be raised to around £10,000.

Statements from many of the coalfields yesterday suggested that the lure of redundancy pay will not be enough and that nothing short of a ban on coal imports—currently nearly 8m tonnes but due to fall to about 5½m tonnes next year—and withdrawal of the Coal Board's accelerated closure plans will satisfy the NUM.

Three more pits were added yesterday to the Board's list of 12 closures announced so far: Newdigate colliery in Warwickshire, where the 750 miners will mostly be found other jobs, Victoria colliery in North Staffordshire, with 600 miners, and Hopton Valley, Lancashire, with 480. Another 800 men will lose their jobs in the Board's Western area. Tomorrow the Board will unveil its plans for Yorkshire, and for Scotland, where three or four pits are vulnerable.

North Derbyshire's 12,000 miners were told that none of their pits was destined to close "in the immediate future." But 50 men at High Moor, near Chesterfield, went on strike yesterday in sympathy with South Wales, where five collieries were already taking action last night.

The South Wales miners took their decision at a meeting lasting only 20 minutes, and declared that they would have the support of railwaymen.

Mr. Joe Gormley, national president of the NUM, said they should "hold their fire" in the interests of unity. He also suggested that the South Wales strike was "unconstitutional"—a charge rejected by the area's leaders.

In the normally moderate Midlands, Mr. Jack Lally, NUM area president, said that closures without consultation would lead to rebellion and could bring about a general strike.

Richard Evans, Lobby Editor writes: Ministers are bracing themselves for a test of nerves with the miners that could develop into the most serious industrial confrontation Mrs. Thatcher has had to face. The invitation from Mr. David Howell, Energy Secretary, to the NCB and the NUM for tripartite talks was seen as an indication of concern, but there was criticism from both Conservative and Labour MPs over the length of time needed to set up the meeting.

Miners "strike for Wales," Page 11
Action threatens water, Back Page

Further wide gains by dollar

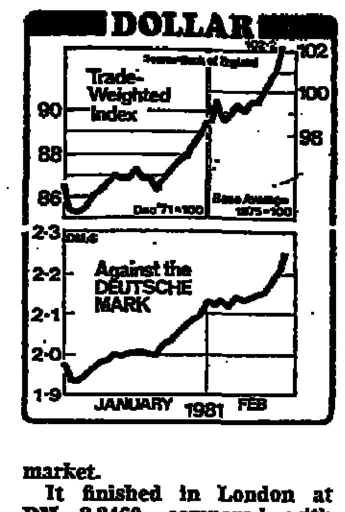
BY STEWART FLEMING IN FRANKFURT AND DAVID MARSH IN LONDON

THE DOLLAR made further widespread gains yesterday, taking its advance against the Deutschemark and other hard-pressed Continental currencies to about 13 per cent in just over three weeks.

Sterling was also hit by the fresh international surge into the dollar. It fell 2.8 cents to close in London at $2.2570, its lowest since the beginning of May. However, the pound remained firm against Continental currencies, although the trade-weighted index of its value gainst a basket of other currencies fell to 103.5 from 103.8.

The dollar rose about 1 per cent on a trade-weighted basis yesterday—from 101. 0to 102.2 based on its Bank of England index — making an overall gain of nearly 4 per cent this month.

A rise of up to ¼ percentage points in Eurodollar interest rates again spurred dollar buying in a thin and volatile



market.

It finished in London at DM 2.2460, compared with DM 2.2175 on Friday, after reaching a 40-month high at one point of DM 2.2550. The dollar also made fresh sweeping gains against the Swiss franc, the lira and French franc, but finished unchanged against the yen at Y207.50.

The Bundesbank yesterday abstained from heavy intervention to support the D-mark. On Friday the West German central bank made record dollar sales at the Frankfurt fixing session, yet failed to stop the D-mark's slide.

One consolation for the Bundesbank was that the D-Mark firmed slightly within the European Monetary System, where it had previously been under pressure against the French franc. The Belgian franc and the lira remain the weakest members. The Irish punt also lost ground sharply yesterday.

The dollar has now risen against the D-Mark on 15 out of the last 18 trading days. This is a virtually unprecedented sequence on the foreign exchanges, where rates seldom move in one direction for too long without

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Money markets, Page 24

Sharp imports fall brings £957m payments surplus

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

BRITAIN had a massive surplus of £957m on the current account of its balance of payments last month. This was mainly the result of a sharp drop in imports caused by the deepening recession. The surplus on trade in oil also rose substantially.

The overall surplus in January was far and away a record. In December it was £467m and there was a previous peak of £576m in October.

Between November and January the surplus was £1.95bn. At an annual rate this is larger than in any other country apart from Saudi Arabia and other low population oil producers.

Whitehall officials said yesterday the figures were remarkable and abnormal.

BALANCE OF PAYMENTS

(£m, seasonally adjusted)

		Visible trade	Invisibles	Current account
1979		−3,497	+1,734	−1,763
1980		+1,174	+1,242	+2,416
	1st	− 388	+ 442	+ 54
	2nd	− 320	+ 198	− 122
	3rd	+ 616	+ 302	+ 918
	4th	+1,266	+ 300	+1,566
	Sept.	+ 344	+ 101	+ 445
	Oct.	+ 476	+ 100	+ 576
	Nov.	+ 423	+ 100	+ 523
	Dec.	+ 367	+ 100	+ 467
1981	Jan.	+ 757	+ 200	+ 957

Source: Department of Trade

There seem to have been few special features. The seamen's dispute affected the pattern of trade only towards the end of the month and probably had only a small effect.

The figures may have been slightly distorted by the very long New Year holidays, which were reflected only partially in the seasonal adjustment.

The main reason for the surplus appears to have been recession, with British companies continuing to reduce stocks and therefore requiring a lower level of overseas components and raw materials.

This was suggested by an 11 per cent fall in the volume of imports between December and January, with purchases of basic materials and many semi-manufactured goods particularly low.

The sharp fall in imports in January followed a big rise in the previous two months which suggested that the rundown in stocks might be ending. It now seems this belief was premature.

Taken with the poor industrial output figures announced on Friday the fall in imports implies that the recession is still deepening and the bottom has not yet been touched.

Export performance remains better than might have been expected in view of the strength of sterling and the decline in the UK's competitive position.

Whitehall officials believe the underlying trend has been broadly flat since the middle of last year, but export volume fell 2½ per cent last month.

There has also been a steady decline in sales of finished manufactured goods in the past three or four months.

The export figures have been boosted by increased exports of oil. The surplus on trade in oil rose from £35m to £210m between December and January.

The rise in the current account surplus also reflects a revision of the estimated surplus on invisible trade (services, profits, dividends and transfers) up to £200m compared with £100m in December. This partly shows the impact of the rebate on the UK's contributions to the EEC Budget.

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Retail sales, Back Page

Banks veto Treasury plan for 'backdoor profits tax'

BY MICHAEL LAFFERTY, BANKING CORRESPONDENT

THE CLEARING banks have rejected an attempt by the Government to impose a back door tax on their windfall profits. It would have cost the banks £100m to £200m in the current year.

The Treasury proposed the scheme about a month ago during what was expected to be a routine review of the arrangements under which the banks and the Treasury, operating through the Export Credits Guarantee Department, finance British exports.

Under present arrangements the banks make loans to companies at a fixed rate of about 7½ per cent, and receive a subsidy from the Treasury to bring the total return into line with prevailing market rates.

The Treasury asked the banks to forego a *substantial* part of the interest subsidy, and said in return there would be no specific windfall profits tax in the coming Budget.

The clearing banks confirmed yesterday that they had rejected the proposal. But they have come forward with their own suggestion for taking between £1bn and £1.5bn of ECGD lending, which had been refinanced by the Treasury, back on the banks' books.

The banks say this would involve them in substantial extra costs, because the ECGD loans would have to be funded at market rates and would absorb a portion of their capital cover.

The banks also point out their plan would involve a direct reduction in the Public Sector Borrowing Requirement, equivalent to the amount of lending taken back on their books.

It appears the Treasury is not impressed with this offer, and takes the view that its scheme remains on the table, awaiting a more acceptable response from the banks.

Since the arrangements for ECGD lending *for the current* year have not yet been decided, it seems likely that discussions on what the banks describe as a "back door" profits tax are still going on.

The impetus for the tax goes back to the clearing banks' record results in 1979, when their UK profits increased by between 70 and 90 per cent. At the time the banks said that virtually all of this extra profit arose from the high levels of Minimum Lending Rate, which created a much greater margin between the cost of current account balances—said to be 8 per cent—and the rate the banks were able to get on lending out this money.

Profits for 1980 are expected to be near the 1979 level.

Pressure on UK to sign fish pact

BY LARRY KLINGER IN BRUSSELS

BRITAIN will face strong pressure today to lift its block on a fisheries agreement between the EEC and Canada. Its refusal to ratify the deal, reached last November, is causing considerable friction in the Community and threatens UK-West German relations in particular.

The European Commission will ask the Council of Foreign Ministers to take up "as a matter of urgency" the EEC's outstanding fisheries agreements with non-member countries. These include pacts with Spain, Norway and Argentina.

The most pressing, however, is the agreement which will allow West German trawlers to fish off Canada and permit the Canadians to sell their catches in the EEC at reduced rates of import levy.

The Commission, embarrassed at having negotiated an agreement with a third country only to have it blocked by one member state, is in effect asking the Foreign Ministers to hive off all external fisheries arrangements from the deadlocked talks aimed at establishing an internal Common Fisheries Policy.

The UK, which last week found itself isolated on the Canadian issue, has refused to ratify third-country pacts until there is full agreement on an internal policy. Although the British delegation, led by Sir Ian Gilmour, Deputy Foreign Minister, may offer some concessions today, it is not expected to give any ground on the Canadian deal.

West Germany, its long-distance fishing fleet still in port, is growing increasingly impatient with Britain.

Herr Josef Ertl, the West German Agriculture Minister, has made several veiled threats, hinting that rebates due to Britain under its special EEC budget arrangements might be affected.

West Germany says that unless its fleet reaches Canada by the end of the month it will not be able to fish this season because of the danger from ice and icebergs.

With many of Britain's fishermen protesting over cheap fish imports, UK officials say it would be impossible to approve a pact which would let in more fish products with preferential tariffs.

EEC-Japan trade, Page 6

£ in New York

—	Feb. 13	Previous
Spot	$2.2870-2900	$2.3365-3365
1 month	0.68-0.75 pm.	0.53-0.60 pm.
3 months	2.80-2.90 pm.	2.25-2.35 pm.
12 months	9.50-9.70 pm.	7.80-8.00 pm.

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EUROPEAN NEWS

EEC oil facility: no panacea for Europe's sickness

BY JOHN WYLES IN BRUSSELS

When they agreed yesterday on a revamped version of the six-year-old borrowing scheme to help European Community members with balance of payments problems, EEC Economics and Finance Ministers were well aware that they were only tinkering with the underlying problem.

It is good for the Community to be seen to be acting to help its weaker members. Up to $7.14bn of medium-term loans can now be raised in the name of the Community to help finance balance-of-payments deficits. For such countries as Ireland, Italy and Denmark this offers access, if they want it, to cheaper loans than they could secure as individual sovereign states.

But yesterday's "oil facility" is no panacea for the problem which is now shared to varying degrees by all EEC members. The second oil-price shock of 1979 caught the EEC in far less robust economic shape than had the 1973-74 round of price increases which prompted the EEC's first oil facility in 1975.

For the past 15 months, the Community's economy has been slipping. Its rate of decline and the risk of permanent damage appear to be far more serious than that of its two major trading competitors, Japan and the U.S.

According to the European Commission, the adverse shift in the EEC's current balance of payments between 1978 and 1979 amounted to $29bn. But only two-thirds of this—$17bn—was attributable to the higher cost of oil imports. By contrast, "other industrial countries," including the U.S. and Japan absorbed a $29bn increase in their oil imports for an increase in their current account deficit of only $15bn. The conclusion is that the Nine (as they were then) were hit by the second oil price shock at a time when their underlying competitiveness in the world economy appeared to be sliding.

The problem is not spread evenly across the Community. West Germany, France and Italy have suffered the most serious deterioration in their current balances and the prevailing weakness of the Deutschemark and the lire are a partial reflection of this. But the Commission has been more concerned about the state of Denmark, Ireland and Belgium which were already in deficit before the 1979 oil price increase.

The Irish deficit on current account leaped from 2.6 per cent of Gross Domestic Product to 10.1 per cent, settling back at around 7.1 per cent last year. Denmark's current account deficit has climbed from 2.6 per cent to 4.8 per cent of GDP and Belgium's from 1 per cent to 3.7 per cent.

This year, the Community is expected to make only a small step in adjusting to the $60bn adverse swing in the current balance which has occurred between 1978 and 1980.

In comparison with both the U.S. and Japan, the adjustment will be inadequate and some further share in world markets, particularly for machinery and transport equipment, will be lost.

Most Community governments believe that they are doing their utmost to improve the competitiveness of their economies through restructuring of old industries, tight monetary policies and, in some cases, incomes policies.

But the other essential step towards adjustment is to reduce dependence on imported oil. Here, the trend is in the right direction but the record is extremely patchy.

The regulation passed yesterday could make an important contribution if, as seems likely, the borrowers prove to be member states with the most to do on the energy front. Both the European Commission and the Monetary Committee, made up of representatives from central banks and Treasuries, are anxious to attach conditions to oil facility loans which would ensure that the borrower was taking necessary measures for energy diversification and conservation.

Whether, in practice, the Council of Ministers will go beyond the mild conditions pinned to loans to Ireland and Italy under the old regulation remains to be seen. The Community cannot be as tough as the International Monetary Fund.

However, if the facility is allowed to become just a source of soft loans for the walking wounded, then an opportunity will have been lost for promoting the convergence of economies and energy policies that the Community is supposed to be about.

* *European Economy Number 7, published by European Commission, Directorate General for Economic and Financial Affairs.*

Finance Ministers approve $7.14bn scheme

A $7.14bn "oil facility" for raising special Community loans to help member States finance balance of payments deficits swollen by recent oil price increases, was launched yesterday, writes John Wyles.

The new scheme is an updated and expanded version of a $3bn facility adopted in 1975 which provided 5-7-year financing for Ireland and Italy. The Ten were being coy yesterday about who might be first at the new loan window. All, however, have much worse current account deficits than in 1974 (West Germany was then in surplus) and some, such as Ireland, Denmark and Italy, could almost certainly borrow at a cheaper rate through the Community.

There is some nervousness about the conditions which might be attached to any Community loan. These will vary but Finance Ministers agreed yesterday that decisions to grant a loan and the conditions to be attached to it must be unanimous.

The Commission had proposed a qualified majority voting system and was supported by Belgium, Ireland and Greece apparently on the grounds that the borrower might have more opportunity to influence loan conditions.

However, the argument prevailed that signs of division in the EEC over the wisdom or terms of a loan could prejudice international money markets against the subsequent Community debt issue.

The $7.14bn ceiling placed on the facility is considerably less than some member states such as Italy have proposed. West Germany opposed the Commission's suggested ceiling of $8.4bn arguing that the lower sum was adequate in relation to current trading deficits.

At British insistence, Ministers also discussed possible guidelines for fixing this year's farm price increases. Broadly, the Ministers are more concerned than their colleagues responsible for agriculture to secure a "prudent" price package with a minimum impact on inflation and at a modest cost to the EEC budget.

There was no inclination, though, to issue a declaration yesterday before the Commission has decided its recommendations, and the Council agreed to return to the subject in March.

Polish students threaten strikes

By Christopher Bobinski in Warsaw

STUDENTS in Warsaw, the Polish capital, and in Krakow and Katowice were on the brink of proclaiming strikes and sit-ins yesterday in support of demands that the Government register a new organisation, the Independent Students' Association (NZS).

The threat of widespread action at Poland's universities came as talks resumed in Rzeszow between the authorities and private farmers who have been occupying a building there since January 2.

Mr. Lech Walesa, the leader of the Solidarity independent trade union, was also taking part in the talks on the farmers' economic demands. The farmers' demand that the Government recognise their trade union has been shelved for the time being by mutual agreement.

The growth in tension at the universities came when Mr. Janusz Gorski, the Minister of Higher Education, refused to accept a compromise solution on the statutes of NZS which is supported by about 30 per cent of the student population. NZS have offered to place a reference to the Polish Constitution which contains a clause recognising the leading role of the Communist Party in an annex to the statute.

Mr. Gorski is asking that such a statement be inserted into the statute itself. The students have also specified the procedure under which a strike may be declared by their organisation. The Minister had complained that the present strike law in the statute was too vague.

NZS members in Lodz, supported by the officially recognised Socialist Union of Polish Students, have been occupying university buildings for weeks and they were recently joined by students in Poznan and at the Medical Academy in Warsaw. Talks with the authorities have produced agreement on a number of demands or a greater say for students in running the universities, more university autonomy and on curricula.

Meanwhile, the Warsaw daily Zycie Warszawy has published an interview with the Solidarity spokesman, Mr. Karol Modzelewski, in which he gives General Wojciech Jaruzelski's new government his qualified approval. Mr. Modzelewski says that the recent Government changes "have created a real chance of reversing the dangerous trend of recent weeks."

Tornado trouble for Apel

By Roger Boyes in Bonn

THE EMERGENCE of fresh financing problems for the controversial Tornado multi-role combat aircraft brought Herr Apel, the Defence Minister, under heavy political fire yesterday.

The Christian Democratic opposition has demanded an investigation by a parliamentary commission to determine whether the Minister has mismanaged the project whose costs now account for some 25 per cent of West German weapons procurement spending.

Even the Free Democrats, the coalition partner of the Social Democratic party of which Herr Apel is a member, has been only half-hearted in support of the Minister and is calling for an all-party steering committee on defence.

According to a parliamentary watchdog on Defence Ministry affairs, an extra DM 800m (£160m) will have to be raised to pay for the Tornado in 1982, partly because of shortfalls from this year being rolled over and partly because of inflation.

This blow to Herr Apel's budget planning has considerable international implications. Defence spending next year is to drop slightly, from DM 41.24bn to DM 41.17bn, which may spark off renewed U.S. criticism that Bonn is not doing enough for NATO. If DM 800m more has to be found for the Tornado, the real effectiveness of defence spending will be undermined further.

Although West German officials maintain that weapons procurement plays a greater role in its defence spending than in other countries, the effect of medium-term Tornado financing has been to put a brake on all major weapons programmes.

Herr Apel, who claims that he was not informed of the full scope of Tornado's planning problems until November 1980, is holding a closed session on the subject on March 4.

The origin of the current difficulty is that labour unrest in Britain, which with Italy has a stake in the project, slowed production. The West Germans scaled down their budget allocations accordingly but were caught unawares when production accelerated again. Funds had to be found at short notice to allow the West German forces to start buying in the 322 ordered aircraft.

Gloomy outlook for Dutch jobs

BY CHARLES BATCHELOR IN AMSTERDAM

EMPLOYMENT in the main sectors of Dutch industry will decline sharply over the next five years, according to the gloomy survey made by the Central Planning Office, the main government forecasting agency.

Tens of thousands of jobs will be lost, even in agriculture, food processing and chemicals where the Netherlands has a strong position, the survey reveals. Unless policies are changed, unemployment will average 325,000 this year, rising to at least 475,000 in 1985.

Industry is not well placed to go into the 1980s, it concludes. Concentration on agriculture and foods, where added value is relatively low, and on capital and energy-intensive chemical processing, make it difficult to compete with other industrialised countries.

Wages are higher than in countries such as West Germany and France in all major sectors of industry. Returns on investment have fallen, encouraging Dutch companies to look abroad.

In the Netherlands' favour, however, are the range of its products when compared with the newly industrialising countries, its position at the mouth of the Rhine and its gas reserves, the Planning Office says. But those do not compensate for the disadvantages.

The metal-working industry, which employs 422,000, is forecast to shed 24,000 jobs over the next five years, most in the metal products, machine-making and electrical sectors. In shipbuilding, however, prospects have improved for jobs after the decline of the past five years, will be limited.

The building and building supplies industries are expected to provide 10,000 more jobs than the present 426,000. House building, though, has been badly hit by a decline in new housing starts with the loss of 70,000 jobs.

The survey shows the textile, clothing and leather industries shedding 16,000 jobs, and chemicals a further 5,000. The motor industry is likely to remain steady, though much depends on the future of the loss-making Volvo car plant.

Unemployment in private industry has been partly offset in the past by the creation of more public sector jobs through this option is now almost exhausted.

These forecasts are based on the assumption that basic wage levels do not rise, that automatic compensation for higher prices by wage rises is continued and that incidental wage increases resulting from promotion and job changes are limited to 2 per cent a year.

Unemployment increased by nearly half to 343,000 in the 12 months to January.

Unemployed up 3% in France

By Robert Mauthner in Paris

FRENCH UNEMPLOYMENT rose in January by 3 per cent to 1,561,700 on a seasonally adjusted basis compared with the previous month. Unadjusted, the number of unsatisfied job applications also rose by 3 per cent to 1,680,300 at the end of last month.

Over the year to the end of January the number of unemployed rose by more than 13 per cent to 1,561,700, seasonally adjusted. In spite of youth employment schemes, the proportion of unemployed people below the age of 25 has risen regularly from 40.2 per cent of the total in January, 1979 to 40.9 per cent a year later and 41.2 per cent at the end of January, 1981.

Basque region paralysed by general strike

BY ROBERT GRAHAM IN MADRID

THE BASQUE country was paralysed yesterday by a general strike in protest at the death in police custody of Sr. Jose Arregui, a suspected member of ETA, the militant separatist movement.

It was called by all the major political groups. Only last Monday, the region witnessed a similar strike, accompanied by a 200,000-strong demonstration against the killing of a nuclear engineer, Sr. Jose Maria Ryan, who was kidnapped and killed by ETA.

This protest was seen as the first real gesture of popular revulsion against ETA's murderous tactics and a major turning point in efforts by the moderate political forces there to isolate the organisation.

However, the Basque's mood of residual mistrust for Madrid has returned with Sr. Arregui's death. Moderate Basque politicians have demanded clarification of the circumstances of his death and for a revision of expanded anti-terrorist laws approved last December by Parliament and which only the Basques refused to endorse.

The incident has complicated Prime Minister-designate Leopoldo Calvo Sotelo's task of forming a government and obtaining a working majority in Parliament. The Basque Nationalist party is now unlikely to support him. He must also weigh the consequences of retaining or dropping Sr. Juan Jose Roson, the Interior Minister. The cabinet shuffle, following Sr. Adolfo Suarez's resignation as Premier, was intended to be minimal, and Sr. Roson was expected to retain his portfolio. There is now strong pressure to drop him.

Montedison bows to union pressure and delays sacking of 6,300

BY OUR ROME STAFF

MONTEDISON, Italy's troubled chemical producer, has agreed to a temporary stay of execution on the sacking of 6,300 workers which was to have begun at the weekend. But the company, which is engaged in a major drive to improve its productivity and financial position, has so far made few other concessions to the Chemical Workers' Union or the Government.

The Montedison issue, which has become a focal point of relations between the trade unions, the Government and industry, symbolises the drive by Italian heavy industry to recover its economic health.

The company announced its plans to sack 8,000 of its 45,000 chemical workers in mid-January. Its objective was to persuade the Government to accept the surplus workers on to the system of State-subsidised lay-offs.

After many rounds of talks, the company, unions and Government nearly reached an agreement under which 6,300 workers would be taken on to the State-subsidised lay-offs for two years, thus enabling Montedison to withdraw the sacking notices. But the agreement fell through at the last minute when the unions asked for the laid-off workers to be taken back on to Montedison's payroll after two years, and to be allowed to conduct plant-by-plant assessments of the need for staffing cuts.

Montedison has excluded workers at its plants in southern Italy from the current sacking procedures. Because of last November's earthquake and other factors, the company has agreed to consider these southern plants separately.

As a concession to the unions, Montedison agreed at the weekend to wait until the 25-day sacking procedure on all the threatened workers expires, which will be next Monday, rather than sack the first of those affected.

The Government, which is sympathetic to Montedison's problems, does not wish to have a major confrontation with the trade unions, and wants Montedison to wait a few days until it has unveiled its comprehensive plan for the restructuring of the chemical industry.

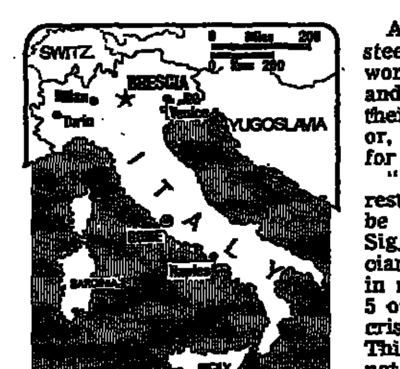
Montedison says it needs to carry out the sackings as part of an immediate plan to raise productivity, which should lead to long-term plans for the restructuring of the company. This involves switching from some of the more basic chemical products towards higher value items.

Meanwhile, a wave of industrial action has hit Italy. Hospital doctors are working to rule, and airports were disrupted yesterday because of a strike by refuelling personnel. Air traffic controllers and Alitalia pilots are planning strikes this week.

Power struggle, Page 13.

Brescia's family steelmasters feel the Brussels pinch

The EEC's regime for the crisis in the European steel industry is causing serious problems for the small steelmakers in northern Italy, as **James Buxton reports from Brescia.**



SIG. GIUSEPPE CORSINI is one of Italy's new steelmasters. He does not run one of Europe's lumbering steel giants but a small steel company at Brescia, near Milan, which with about 80 others accounts for 15 per cent of Italy's steel production.

His company, Profilatinave, is one of the family-owned concerns that appear able to defy the economic laws of European steel production. As a result, Sig. Corsini is up in arms against the restrictions that the EEC has put on steel production to solve the manifest crisis of the steel industry.

"Small companies like ours simply have a better system of management," says Sig. Corsini, whose clipped, no-nonsense way of speaking and trim little factory in a mountain valley just north of Brescia appear to confirm it. "The EEC restrictions on our output simply mean we *earn less money to cover our* constantly rising fixed costs. They are doing us double damage."

The crisis of the European steel industry *is* thought to affect most severely producers of the less sophisticated steel products. Yet the Bresciani concentrate almost entirely on *relatively simple structural steel* and steel rods. They argue that the EEC quotas only make their difficulties worse. Claiming that they are illegal, they have taken the EEC Commission to the European Court.

The Bresciani reckon they can hold their own against cheap steel imports from Third World countries which have particularly affected the lower end of the steel market. The Brescia steel concerns employ an average of only 175 people. From their electric arc steel plants and rolling mills, they produced in 1979 some 4m tons of steel laminates, *half of it* exported to the Middle East, West Germany, France and elsewhere.

Most of the Bresciani have risen from poor backgrounds. Managing family businesses, they tend to live simply and plough their profits into new *investment, so that their equip*ment is modern. They have few difficulties with trades unions and they are not thought to be heavy taxpayers. People like Giuseppe Corsini, who is barely in middle age, help explain why Brescia, where steel *is* the second biggest employer after engineering, has no unemployment, and why northern Italy remains one of the most prosperous parts of Europe.

But last year was not a good one for the Bresciani. Many companies made losses, the rest barely broke even. The new capacity they had installed after the good year of 1979 was largely unused and now they are not investing at all. They blame the high cost of electricity, to which in recent weeks has been added the aggravation of occasional power cuts, the high price of scrap which is their raw material and, to a lesser extent, the high cost and inefficiency of the Italian railways.

On top come the EEC production restrictions, which are *based on a complicated formula* referring to the output of individual plants in past years, and which are adjusted every three months. At the moment, most of Brescia's steel production must be between 15 and 18 per cent below what it was at the end of 1979. Exceeding the quotas could expose the offender to a fine of $100 per tonne.

The quotas are enforced by EEC inspectors. "It is impossible to evade them because they check the most important index of our production — electricity consumption," the local industrialists' association says.

As a result, the Brescian steel companies must all stop work for a few days at a time, and workers are having to take their holiday entitlement now or, as a last resort, to apply for the state subsidised layoff.

"If it were not for the EEC restrictions we would probably be working quite normally," Sig. Corsini says. The Bresciani dismiss as peanuts a rise in steel prices of at least 5 or 6 per cent since the EEC crisis regime came into effect. This is the result of inflation, not quotas, they say.

A Brescian company challenged the legality of the EEC restrictions in the European court and although it lost, the wording of the judgment was sufficient to encourage another Brescian company to start legal action. Brescia is lobbying for the quota system to be dropped when it expires at the end of June this year, and it also wants tighter control on imports from outside the EEC.

In Brussels, there is grudging respect for the Brescians' efficiency and tenacity, though the Commission still wonders how closely they really comply with the regulations. But the whole procedure for checking individual steel companies' output is bogged down in its own complexity and in challenges to the *basis* on which companies' quotas are set. It is still not clear in Brussels whether or not any European producers exceeded their quotas in the October - December period. There are even suggestions that the Commission would rather not know for fear of having to embark on complicated and embarrassing legal proceedings.

Sig. Corsini acknowledges that, in the medium term, the Bresciani will have to move out of such basic products as steel rods to more specialised items. His own factory no longer makes rods at all and concentrates on structural steel sections. But for the bulk of the Bresciani the change will be difficult and take time, he says.

The richest and most famous Brescian steel producer, Sig. Luigi Lucchini, has not only stopped making the rods on which he founded his future but diversified from steel into such other industries as brewing, property and copper fabricating. "Mini-steel plants will no longer just Brescian," he no longer just Brescian," he said recently. But for the moment, the Bresciani believe they could cope, were it not for Brussels.

Aer Lingus economies recommended

By Stewart Dalby in Dublin

AER LINGUS, the Irish state-backed airline, should not be obliged to shut down its prestige, but loss-making North Atlantic routes. However, considerable economies are possible on these schedules, according to a report from a Joint Parliamentary Committee on state-*sponsored* bodies.

The airline will probably make a small profit in 1979-80, says the committee, but only because of "ancillary" activities—*largely* aircraft leasing. This will offset large losses on operations not only to North America and, to a lesser extent, in Europe, but also a huge interest *bill*.

It could lose as much as Ir£ 7.4m (£5.5m) on its North American routes in 1979-80. Its interest bill could be as much as Ir£ 7m. The committee recommends that the airline should look for savings on those routes, possibly by cutting out the stop at Shannon, for example. This might save at least Ir£ 700,000.

The committee does not advise the Government against giving Aer Lingus the Ir£ 25m loan it has requested, but it suggests that the company's capital structure be reorganised so that there is a larger equity base and smaller borrowings.

Communists take new line as Moscow rift widens

BY RUPERT CORNWELL IN ROME

Sig. Berlinguer: taken to task by Moscow over support for Polish union

IMPORTANT NEW signs of Italian Communist Party's changed strategy are beginning to emerge. The party is now seeking to present *itself* as the leader of a vitally needed left-wing alternative government for the country after 35 years of unbroken Christian Democrat rule.

The PCI's new line emerged *in the immediate aftermath* of the Italian earthquake, amid bitter criticism of the incompetence in bringing relief to the devastated areas. It is becoming *clearer that the* former goal of the "historic compromise," in which the PCI would aim to share in a government of national unity alongside the Christian Democrats, is now dead.

The Communists are moving to secure their credentials by allaying fears on two key points—the party's alleged subservience to Moscow and the suspicion that in office it would promote confrontation and economic division at home.

The party's deepening rift with Moscow has been highlighted by the mysterious *leaking of a secret letter from* the Kremlin leaders to Sig. Enrico Berlinguer, the party leader, berating the Italian party for its "anti-socialist" *line in supporting Solidarity*, the Polish free trade union.

Whatever the motives of the leak—whether in Moscow or Rome, and whether to display the party's independence or to embarrrass the Moscow-leaning elements in the party —the message is clear: that relations between the Soviet Government and the West's largest Communist Party are in poor shape.

Sig. Berlinguer went out of his way in a speech to Communist delegates at the Fiat motor works in Turin to imply that his party would probably *break with Moscow* if Soviet troops invaded Poland. Solidarity, he declared, was, whatever Moscow might claim, a genuine expression of the *feelings of the Polish working* classes, which the Communist Party represented.

It has also been confirmed that Sig. Berlinguer will not attend the annual congress of the Soviet Socialist Party, largely because of the disagreement over Poland. The Italian delegation will be led by Sig. Giancarlo Pajetta, who is not a member of the inner PCI secretariat.

But the long-standing quarrel between the PCI and the Italian Socialists, essential partners in any "popular front" Government here, means that the idea of a left-wing alternative is still exceedingly remote.

*Most probably, the Com*munist campaign to answer worries over their *democratic* soundness should be seen in the more general perspective of elections here, at which the party will be seeking to reverse the *decline* in *its* fortunes.

Sig. Berlinguer *maintained* that the party's goal is the so-called "third way," distinct from the failed models of watered-down capitalism in the West and the centrally planned economies of the East. In his Turin speech, he insisted on the need for workers to improve productivity, however much the idea might smack of exploitation *by industry's management*.

Honecker talks of unification

By Leslie Colitt in East Berlin

WHAT WAS believed to have been a long-buried vision of German re-unification has been surprisingly exhumed by Herr Erich Honecker, East Germany's leader. *The revival* has taken place 15 years after his predecessor, the late Walter Ulbricht, *last* proposed that "Germans should sit at one table" to talk about a confederation.

Speaking to Communist party officials in East Berlin, *President Honecker said* that if the days came when West German workers began the "Socialist transformation" of West Germany then the question of the "unification of both German states" would arise anew. There "could not be a doubt what our *decision would be in this case*," he said.

He received sustained applause at this point from officials who had told the population on countless occasions that a Socialist "nation" is arising in East Germany and a "*capitalist*" *one in West Ger*many, and never the twain shall meet.

Although Herr Honecker has shattered a longstanding taboo in East Germany, he made it plain that unification could only come in the unlikely event that West Germany was turned into a Socialist state amenable to the Soviet Union. Both Western and East European officials agree that the about-face on re-unification has Soviet approval.

East Berlin officials say Herr Honecker's remarks are important in the context of the political crisis in Poland. They recall that German re-unification remains a nightmare to Poland and that raising the issue now can only be seen as a warning to Warsaw that the Oder-Neisse border in the West is guaranteed by the Soviet Union only as long as Poland remains a "fraternal" ally of Moscow.

However, the officials say that the East German leadership is taking *a* certain risk in raising the issue as it appears to the average East German to contradict the party's 15-year effort to expunge all hope of an all-German future.

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Iraq threatens to advance deeper into Iran

BY OUR FOREIGN STAFF

PRESIDENT Saddam Hussein of Iraq has threatened to advance deeper into Iran if Ayatollah Khomeini refuses to come to the negotiating table. Addressing an infantry brigade about to leave for the front, President Hussein said Iraq was capable of taking more Iranian cities whenever it wished and could force the Tehran regime "to kneel and plead for peace."

For the past month of the 22-week war, Iraq has insisted that it did not intend to advance further but would continue to hold parts of Khuzestan province until Iran was ready to negotiate a just peace.

However, Iraq has been forced to accept losses as a result of Iranian counter-attacks and must also realise that following the release of the American hostages, Tehran is better placed to negotiate military re-supply. Iran has also stepped up its oil exports and is reported to have been selling over 1m barrels per day.

President Hussein said yesterday that Iraq had more aircraft, tanks and guns than at the start of the war and that the lull in the fighting, designed to allow Iran to open peace talks, had virtually elapsed. "You will see more Iranian cities fall to the Iraqi army in addition to those already under its control."

The longer the war continued, the greater would be Iraq's demands, he insisted. "This unnecessary addition to the length of the war will add further additional claims which that arrogant regime will have to pay for."

Iraq has so far captured the northern city of Qasr-e-Shirin and a substantial part of Khorramshahr on the disputed Shatt al-Arab waterway in the south, but has failed in its attempts on Susangerd, the refinery town of Abadan, and is still some way from the other strategic cities of Ahwaz and Dezful.

President Hussein said Iraq had signed new arms deals worth billions of dollars since the war started and had found new sources of supply. He did not specify the new sources, but has indicated annoyance at alleged refusals by the Soviet Union to supply arms and ammunition. However, it has been confirmed that a number of Soviet-designed tanks have been shipped to Iraq during the past month.

Meanwhile, Iran has had limited success in reorganising its armed forces and its military confidence has increased considerably since it repulsed Iraqi attacks on first Abadan and then on Susangerd.

Nkomo guerrillas begin moving to new base

BY MICHAEL HOLMAN AND CHRISTOPHER SHERWELL IN BULAWAYO

ABOUT 1,500 guerrillas loyal to Mr. Joshua Nkomo began moving out of Bulawayo's troubled Entumbane township yesterday in the second and final phase of an operation designed to end the conflict which racked the black township last week.

Nearly 2,000 Zanla troops who support Mr. Robert Mugabe, the Prime Minister, were moved out on Sunday to their new camp north of the city. The Zipra troops in Entumbane will be based at Woolenvale shooting range south of Bulawayo. The two forces had been living in the township only a few hundred yards apart.

The move follows last week's violence in Bulawayo and Connemara national army barracks in the Zimbabwe midlands, during which about 300 people, mostly soldiers, died.

Although agreement in principle had been reached last Thursday, a dispute over whether the Zipra forces would retain their weapons held up implementation.

Zipra initially refused the government order to surrender their arms and there was confusion over whether this had actually occurred.

At the end of last week, Zipra and Zanla members of the three national army battalions involved in the unrest were moved to separate camps. It was tacit admission on the part of the government that, in these units at least, the policy of integrating the two forces which waged the seven-year war against white rule had failed.

Our foreign staff adds: At the formal opening of Zimbabwe House in London yesterday Mr. Edson Zvogbo, one of the government's most senior ministers, declared that last weekend's "event in Bulawayo" should not be seen as a setback to "our process of reconciliation."

"What happened in Bulawayo and to some extent at Connemara was simply the fact of a few members of the armed forces, specifically Zipra, disobeying government orders."

Five face Israeli sabotage charges

By Anthony McDermott in Cairo

FIVE PEOPLE, three Palestinians and two Egyptians, have been charged by the Egyptian State Supreme Security Court with trying to carry out anti-Israeli sabotage acts in Cairo.

It is the first case of its kind since diplomatic relations were opened with Israel a year ago.

The five were said to have been planning to obtain information about the number of security guards on the Israeli Embassy in the western Cairo suburb of Dokki and about the numbers of Israeli troops visiting Egypt, and where they gathered.

It was alleged that they had been put up to this by Fatah, the main organisation of the Palestine Liberation Organisation, and as a result of contacts with Syrian intelligence in Abu Dhabi in the United Arab Emirates.

In an account replete with tales of forged passports and paid tickets, the State prosecution said that the five—who included a Palestinian construction worker, a student at al-Azhar University and a merchant and an Egyptian resident in Beirut—had tried to recruit other Egyptians to their cause. It did not say when they were arrested but only that they would stand trial shortly.

An Israeli diplomat said incidents against Israelis and their official presence have been almost non-existent. The prosecution said that there had been sufficient evidence to suggest that there was a link between the five charged and an explosion last April outside the synagogue in central Cairo last April.

Other officials say that it was caused by a group calling itself the Egyptian National Awareness Front (ENAF) which opposes diplomatic relations with Israel. More recently there was an incident on January 21 at the annual Cairo Book Fair when the opening was marred by a scuffle resulting from stalls seling Palestinian and Israeli books being placed next to each other.

Mr. Eliahu Ben-Elissar, the Israeli ambassador, attempted to conceal the Palestinian flag from television cameras. At about the same time, Mr. Kamil Zuheiri, head of the journalists' union, has been criticised for distributing anti-Israeli propaganda, demanding a boycott of the books.

Israeli tourists have not been to Cairo in droves and, according to Mr. Gamal Nazer, they totalled about 10,000 last year. But the main conclusion to be drawn from these incidents is that Egypt hopes for better things if and when the Government of Mr. Menahem Begin is defeated by the Labour Party, headed by Mr. Shimon Peres.

Israel to press for further talks on autonomy

By David Lennon in Tel Aviv

ISRAEL will press for an early resumption of the tripartite negotiations with Egypt and the U.S. on autonomy for the Palestinians living in the occupied West Bank and Gaza Strip, when Mr. Yitzhak Shamir, the Foreign Minister, holds talks with senior members of the American Administration in Washington this week.

The Israeli Government is concerned about recent statements by President Anwar Sadat of Egypt calling for Palestinian self-determination, mutual recognition between Israel and the Palestinians and the creation of a Palestinian government in exile.

Mr. Menahem Begin, the Prime Minister, has described these ideas as deviations from the Camp David agreement of 1978 on the Palestinian issue.

In order to frustrate any such deviations from that framework, Mr. Begin wants Washington to mediate a resumption of the talks, which have been moribund since May of last year.

The Cabinet committee on autonomy held a special meeting yesterday, but Dr. Joseph Burg, the chief Israeli negotiator, said that there was no need for new approaches, just a resumption of negotiations.

Setback for West Bank plan

By Our Tel Aviv Correspondent

THE ISRAELI Government's plan to take over the Arab-owned electric company supplying power to the West Bank and East Jerusalem forcibly received a major setback yesterday when the High Court in Jerusalem ruled that seizure of the company's West Bank concession would be illegal.

This was welcomed as a major victory by the Palestinian owners of the Jerusalem District Electric Corporation, who regard the Government's plan as a further attempt to bind the occupied territories more closely to Israel.

Kevin Rafferty, in Manila, reports on tension between church and state in the Philippines

Marcos seeks a blessing from Pope's visit

LAST FRIDAY'S demonstration in Manila was remarkable not simply as the Philippines' first important anti-Government protest but also for the large number of Roman Catholic priests, nuns and seminarians who took part. They carried a large wooden cross against which the police were forced to push in pressing the protestors back. Nothing so well summed up the present tension between church and state in the Philippines.

Filipinos seen demonstrating in Manila before the Pope's arrival. They were drawing attention to what they called the "fake lifting" of martial law last January.

The Pope's visit has been billed as a purely pastoral journey, but preparations have been marred by some unholy haggling between church and state in what is the only solidly Catholic country in Asia.

When Pope John Paul II arrives in Manila today, it will be his first visit to Asia as Pope and it will also be something of a gamble for him, for his church and for President Ferdinand Marcos. The trip has been billed as a purely pastoral journey, but the preparations have been marked by some unholy haggling between church and State.

The Philippines is the only solidly Roman Catholic country in Asia. More than 40m of the 48m Filipinos profess the Roman faith. They show a livelier faith than in most of nominally Christian Europe and a minority gets so carried away as to practice public flagellation at such religious festivals as Holy Week.

The Pope is in a position to bestow a blessing on President Marcos. He could, however, in a few well chosen gestures, indicate the deficiencies of the regime especially in its treatment of human rights and human dignity which the Pope holds dear.

The papal visit is the more touchy because President Marcos, some say with impeccable timing, has just begun his process of restoring the Philippines to civilian democracy from the martial law regime he imposed in 1972. He lifted martial law in mid-January, has promised presidential elections in May and parliamentary elections in 1984.

The President's circle now says that when Marcos has seen himself legitimised by election he would like to prepare for a smooth handing over of power. At 63, he has twinges of bad health from a kidney complaint. He would not wish to have himself go down in history as a dictator, it is said. It is also said that he realises that a family succession would not be popular. Although Mrs. Imelda Marcos has immense ambitions and though Government of the Philippines today is jokingly divided into "his" and "hers" spheres, the President's will prevails.

In Filipino politics, President Marcos has no peer. Such events as the Moslem rebellion in the south or the activities of the Marxist New Liberation Army, which make occasional waves in the international Press, do nothing to ruffle Manila society. Last year there were bomb explosions in the capital, but this merely suggests that the threat is more likely to come from extremists than from the loyal opposition.

The lifting of martial law before the Pope's visit was the President's challenge to the opposition rather than a result of its pressure. Meanwhile, the main opposition mantle falls on ex-Senator Benigno Aquino, a colourful figure but one who suffers from a string of disadvantages in any challenge to the President.

Mr. Aquino is appealing against a death sentence; he is outside the country in the United States where he went for heart surgery last year; he has overstayed his month parole from the Philippines Supreme Court; and he has campaigned politically, also in breach of the parole conditions. He is also still under 50 and thus too young to stand for President.

His position is further complicated because he has had protracted negotiations from his prison cell with the President about joining the Government. At various times, President Marcos and his supporters have been able to take the wind out of opposition sails by alluding to these negotiations and even hinting that Mr. Aquino might be the favoured successor to Sr. Marcos.

Even with the lifting of martial law, Sr. Marcos retains formidable controls including the most sweeping powers if he considers there is an emergency or grave national threat.

It is only the Catholic church, which extends to most corners of the far-flung Philippines archipelago, that can offer a clear focus for protest. As the church under the new Pope lays more emphasis on the rights and dignity of man, it touches the weakest aspect of the years of progress under President Marcos.

Ferdinand Marcos has undoubtedly pulled the Philippine economy together. Growth—except for last year—has been over 6 per cent a year. The broad, tree-lined roads of the capital and the development of the commercial towers and offshore banking centre of Makati in Metromanila are tangible evidence of progress.

For the ordinary people of the Philippines, life has been less easy. Some of the middle classes have taken advantage of good jobs in the modern sector. Small farmers have benfited from land reforms. But skilled workers and domestics have needed to queue for jobs in the Middle East and Europe and the U.S. Unemployment remains a huge and swelling problem.

Reliable statistics are hard to obtain but some figures speak of 55 per cent of the population of Manila and other towns as "self-employed." Conditions in the industrial slums of the capital are as bad as anywhere in India, according to nuns from Mother Teresa's organisation

In these circumstances, important sectors of the church have come to espouse the cause of the poor. Priests, nuns, religious superiors and young bishops working in poor areas have been moved to demand radical solutions.

Not all the 100 bishops think the same way, especially those that enjoy life as princes of the church. Jaime, Cardinal Sin, as head of the hierarchy has created a centrist and often uneasy coalition which will press the government on questions of human rights and social justice but steers away from a head-on collision.

Pope John Paul will have to decide himself how to respond to the conflicting pressures. He is due to visit the Tondo slums of Manila, to meet poor sugar workers in Negros and to talk to Moslems on the island of Mindanao. Although the church has insisted on putting the events on the programme, officials have gone out of their way to see the Pope will not be shocked.

"If he sticks to the official programme, the Government will be delighted," declared one Catholic priest. "But he will do so at the risk of splitting the church and further radicalising it. The Pope also has a difficult path to tread between Caesar and God."

Europe may resist U.S. pressure to back Salvador junta

BY HUGH O'SHAUGHNESSY, LATIN AMERICA CORRESPONDENT

THE U.S. Assistant Secretary of State for European Affairs, Mr. Lawrence Eagleburger, who visits Europe this week to seek support for U.S. backing of the junta in El Salvador, may be faced with a difficult political task, according to diplomatic observers.

Mr. Eagleburger, who was Dr. Henry Kissinger's Press spokesman, is expected in London tomorrow or Thursday and will also call in Brussels, Paris, Rome, Bonn and The Hague.

Many European governments remain to be convinced that the Soviet Union, as the State Department claims, is the principal supplier of arms to the guerrillas in El Salvador.

In El Salvador, a junta of civilian politicians and military men, led by President José Napoleón Duarte, a Christian Democrat, is facing insurgency from a Revolutionary Democratic Front (FDR) consisting of dissident Christian Democrats, Social Democrats and the far Left.

The French Government, while not sympathetic to the guerrillas, shows no great enthusiasm for the Salvadorean junta, a point of view generally reflected in Whitehall.

Chancellor Helmut Schmidt in Bonn, already at odds with the Left wing of the ruling Social Democratic Party over arms sales to Chile, may not want to back Washington too openly on El Salvador.

Washington has been exercised, too, by the attitudes adopted by the conservative Government of Mr. Thorbjörn Fälldin in Stockholm towards El Salvador.

For the first time since the Vietnam war, the Swedish ambassador in Washington was called in recently to receive a protest from the U.S. Government, which judges the Swedes to be too partial to the Salvadorean insurgents. Much opinion in The Hague, Brussels and Rome is also reasonably sympathetic to the insurgent side.

Sr. Héctor Oquelí, foreign affairs spokesman of the FDR, denied during a visit to London last week that the Soviet Union or the Cubans were major suppliers of arms to the guerrillas. The U.S. black market, Algeria, Libya, the PLO and Iraq, were all more important as arms suppliers than the Communist countries, he said.

Casinos complain there are too many regulations, **Paul Betts** writes

Gaming fails to revive Atlantic City

AT AROUND noon, on any day of any week, the first "casino caravans" start rumbling into Atlantic City, the decaying New Jersey seaside resort which is the only place outside the State of Nevada where casino gambling has been legalised in the U.S.

"Casino caravans" are what the operators of Atlantic City casinos exotically call the rather ordinary silver-coloured buses which every day hustle in gamblers from as far away as Washington and New York as well as nearby cities like Philadelphia and Baltimore. And in the last few weeks, these buses have become the object of fierce and at times quite ludicrous competition between the resort's six casinos.

For the gambling business in Atlantic City has hit upon hard times. Increased competition and stringent state regulations have steadily undermined profits for the industry since then. All six casinos now in operation along or near the Boardwalk are expected to report losses for December, 1980—the first losing month for the casino business as a whole. Many operators also expect a lot more red ink in the industry during this year's first quarter.

In December, the casinos reported a sharp decline in gross winnings, that is revenues from gambling tables and slot machines before taxes, wages and other expenses. Although last month's gross winnings showed a modest improvement, most of the casinos have laid off several hundred employees, closed down some sections of their hotels and are busy reconsidering ambitious expansion plans.

MGM Grand Hotels and Hilton Hotels have suspended costly projects to expand their gambling and hotel operations in Atlantic City, though both these companies have had to reconsider their plans partly because of major fires causing extensive damage to their Las Vegas hotel-casinos.

Another eloquent sign of the problems facing the gambling business in New Jersey was the announcement earlier this week that Inns of America and two private investors had agreed to buy a controlling interest in the Greate Bay Hotel Corporation. The company owns about 75 per cent of the stock of Greate Bay Casino Corporation, which operates the financially troubled Brighton Casino in Atlantic City. The buyers also agreed to inject some $10m to help the Brighton, which since opening last August has been squeezed by high interest rates and in terms of gross winnings has fared worse than any other casino in Atlantic City. Its gross winnings last month totalled $4m and in December it grossed $3.6m.

All kinds of incentives are offered to bus passengers, from free chocolates to $15 in quarters to play the slot machines, free passes to an all-star show and complimentary meals.

But business has been so bad in recent weeks that even free tickets have not rescued extravagant revues in casino theatres from playing to empty houses. The casinos partly blame the bad weather this winter which has put off many day-trippers. But they see as more important the "excessive state regulations" and growing competition as the main causes for the current slump.

When Resorts International first opened in 1978, it enjoyed a monopoly in Atlantic City with long queues of day-trippers waiting for their turn at the green tables or the slot machines. Resorts International in its first year of operations experienced remarkable growth in revenues and profits and was regarded as one of the hottest stocks on the American Stock Exchange.

But as competition increased, the picture changed. Gambling revenues have now slipped to third place after Caesar's Boardwalk Regency Casino and Bally Manufacturing Corporation's Park Palace. Last December, it grossed $10.5m compared to $15.8m in November and $15m in December 1979. In January, Resorts grossed $13.3m, up on December's gross win but down from the $15.4m it grossed in January 1980. Mr. Philip Wechsler of Resorts International said the company was expected to show a loss of about $2m for December. The earnings picture is equally gloomy at other casinos. Caesars, for example, grossed $11.7m in December, down from $18.7m in November and $13.7m in December 1979. In January, Caesars' grossed $14.3m compared to $14.1m in January 1980.

For Atlantic City, all this is bad news. Casino gambling was originally legalised in the town as a way of rebuilding this faded resort. Today the town of about 53,000 people, predominantly poor blacks, is still a collection of decrepit shacks, waste lands, and unfinished building sites interrupted along the broadwalk only by the casinos' skyscrapers.

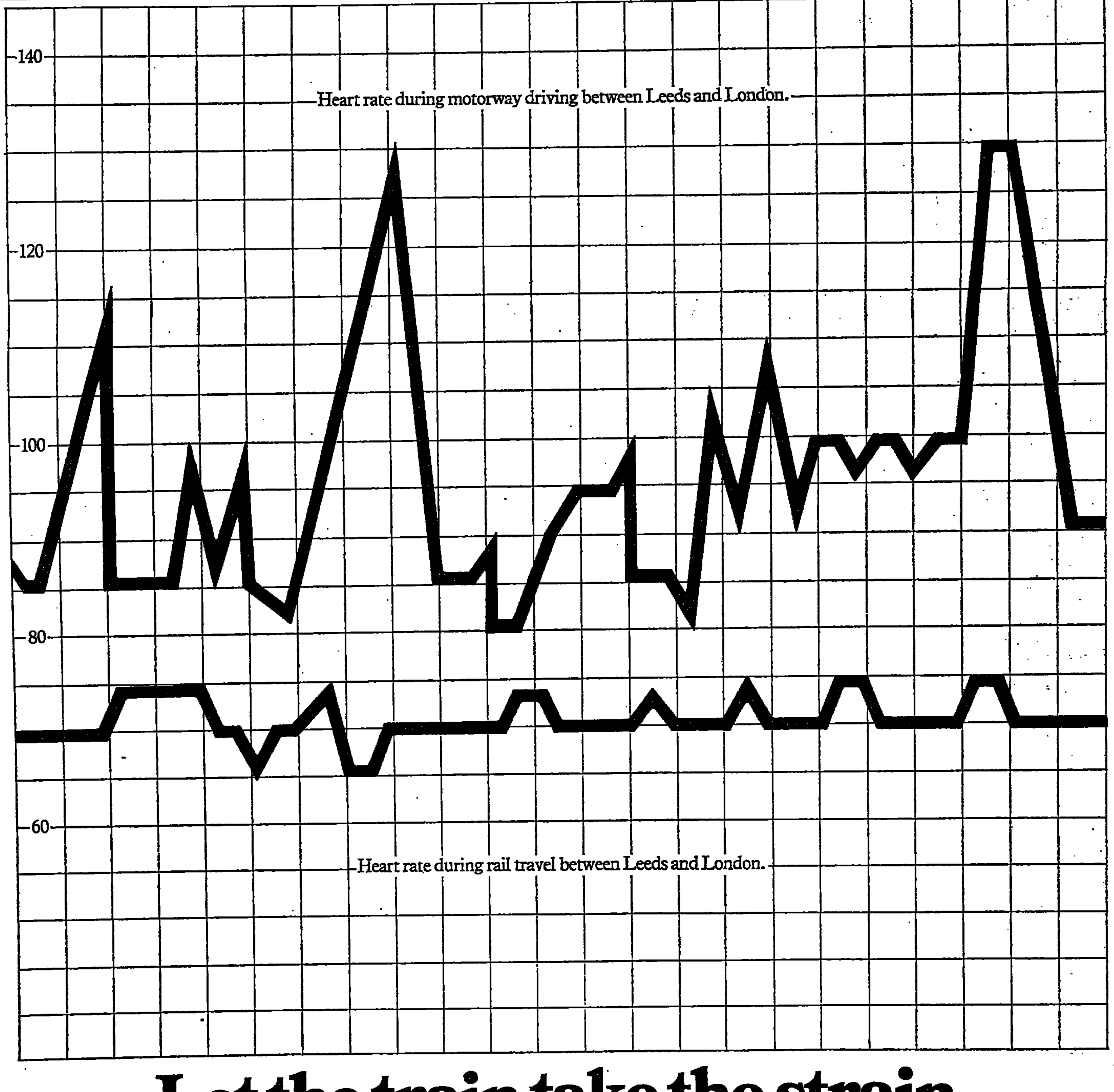
Although they have brought some 15,000 new jobs during the past two years, helping to reduce the area's chronic unemployment and earning the state badly needed revenues, the casinos have so far done little to revitalise this decaying resort. In many respects, they are in worlds of their own with their dark gambling halls the size of football pitches, their shopping arcades, their exotic restaurants and extravagant show places. Once inside them, you could be anywhere in the world—except, almost, Atlantic City.

The State of New Jersey itself is now considering relaxing some of its regulations. The New Jersey Gaming Commission agreed last week to soften considerably the regulations concerning the increasingly unprofitable "low minimum wager" tables, for example. It fears that unless more casinos are encouraged to open, the controversial project to rebuild Atlantic City through the gambling business could flounder. It is seeking to develop Atlantic City as a major centre for conventions, but to do this it will have to promote the construction of a substantial new number of hotel bedrooms.

At present, there are only 3,500 first-class hotel rooms in Atlantic City. Although the figure is expected to rise to 5,000 by the end of this year, Las Vegas by contrast has more than 30,000 first-class rooms.

Casino revenues in Atlantic City are likely to increase from $625m last year to more than $1bn this year with the opening of three new casinos. But New Jersey is increasingly worried by the possibility that other states, including neighbouring New York, may shortly legalise their own gambling—presenting a new level of competition for Atlantic City and its casinos which could well prove fatal.

Gamblers crowd the one-armed bandits in Atlantic City, but the casinos' dreams of massive profits are fading.



Five charged with insider trading

BY DAVID LASCELLES IN NEW YORK

WALL STREET has been shaken by allegations that five men, two of them former employees of two of its most prestigious investment banks, used secret information about possible takeover bids to make large profits from share trading. The bids included several where British and European companies were planning takeovers of U.S. companies.

One of the men has pleaded guilty to two counts, another not guilty to 17 counts. The other three failed to appear in court in Manhattan last week, and warrants are now out for their arrests. They are believed to be living abroad. However, according to the court indictment, investigations are continuing, and it is believed more people may be charged.

Although insider trading has been a crime in the U.S. for many years, this is the most comprehensive set of charges ever brought in a case involving investment bankers. Irrespective of the outcome, lawyers expect it to help clarify an area of the law that is still murky.

The man who pleaded guilty is Adrian Antoniu (34), who worked for Morgan Stanley, the investment firm, between 1972 and 1975, and after that at Khun Loeb, which is now part of Lehman Brothers. James Newman (37), an investment adviser who lives in New York, pleaded not guilty.

The other three now being sought are Jacques Courtois (33), a former Morgan Stanley vice-president, who now lives in Bogota, Colombia; Franklin Carniol (35), who lives in Brussels; and Constantine Spyropoulos (34), who lives in Athens.

According to the indictment, the five operated a scheme to make use of confidential banking information acquired by Antoniu and Courtois during the course of their work in the merger and acquisition department of Morgan Stanley and Kuhn Loeb to buy shares in companies that were take-over targets. Antoniu and Courtois, it is alleged, sold the information to the other three for a share in the trading profits.

The purchasing was done through secret foreign trading accounts in Bermuda, the Bahamas, Luxembourg, and Switzerland. The accused used special cover names, like "Barnett" and "Patrick," and took precautions not to be seen together or to telephone each other from work. Courtois, the indictment says, did not even know the real names of his alleged co-conspirators.

The indictment lists 18 planned take-overs about which confidential information was used. Not all of them actually went through, but in most cases there was a striking run-up in the target company's share price from which the alleged schemers are said to have profited.

About one-third of the planned mergers involved European bidders. Ciba-Geigy and Funk Seeds International, North American Philips and Magnavox, Chemische Werke Huls and Robintech, Sandoz Seed, and Northrup King and Co. were all mentioned as well as Standard Chartered Bank of the UK's bid for Bancal Tri-State, the large California bank, which was not successful. But they also include some very large U.S. bids that did not go through: Standard Oil of Indiana's plan to acquire Occidental Petroleum, and Tenneco's plan for Anaconda, the big copper company—which was subsequently bought by Atlantic Richfield. One that did succeed was Philip Morris's bid for Seven-Up in 1978.

According to Mr. John S. Martin, U.S. Attorney for the Southern District of New York, inquiries into the alleged scheme began many years ago, when the Stock Watch Office of the New York Stock Exchange discovered a suspiciously heavy turnover in certain shares before merger and acquisition announcements.

Investigations were then carried out by the Attorney's office, and the New York regional office of the Securities and Exchange Commission. These showed that the deals in question frequently involved companies being advised by either Morgan Stanley or Kuhn Loeb. The two investment firms assisted the investigation, although neither knew that the other was involved, because all inquiries were secret.

In announcing the indictment, Mr. Martin praised the two firms for their co-operation.

Canada opens constitution debate today

By Victor Mackie in Ottawa

THE DEBATE on the Canadian constitution opens in Ottawa's House of Commons today.

Although the debate is expected to last several weeks, the outcome is not in doubt, because the Liberals hold the majority in the House and Senate, and a simple majority will pass it through both Houses.

A special committee of both Houses completed three months' study on the constitutional package last Friday. Now the Conservative opposition will wage a last-ditch campaign to defeat the package.

Its passage through the Commons and Senate is the last Canadian hurdle before the Government resolution goes to Westminster for approval, probably before Easter.

The measure could face another lengthy and acrimonious debate in London.

The resolution will ask Westminster to give Canada the right to amend the British North America Act (in effect, the Canadian constitution) and to add an amending formula.

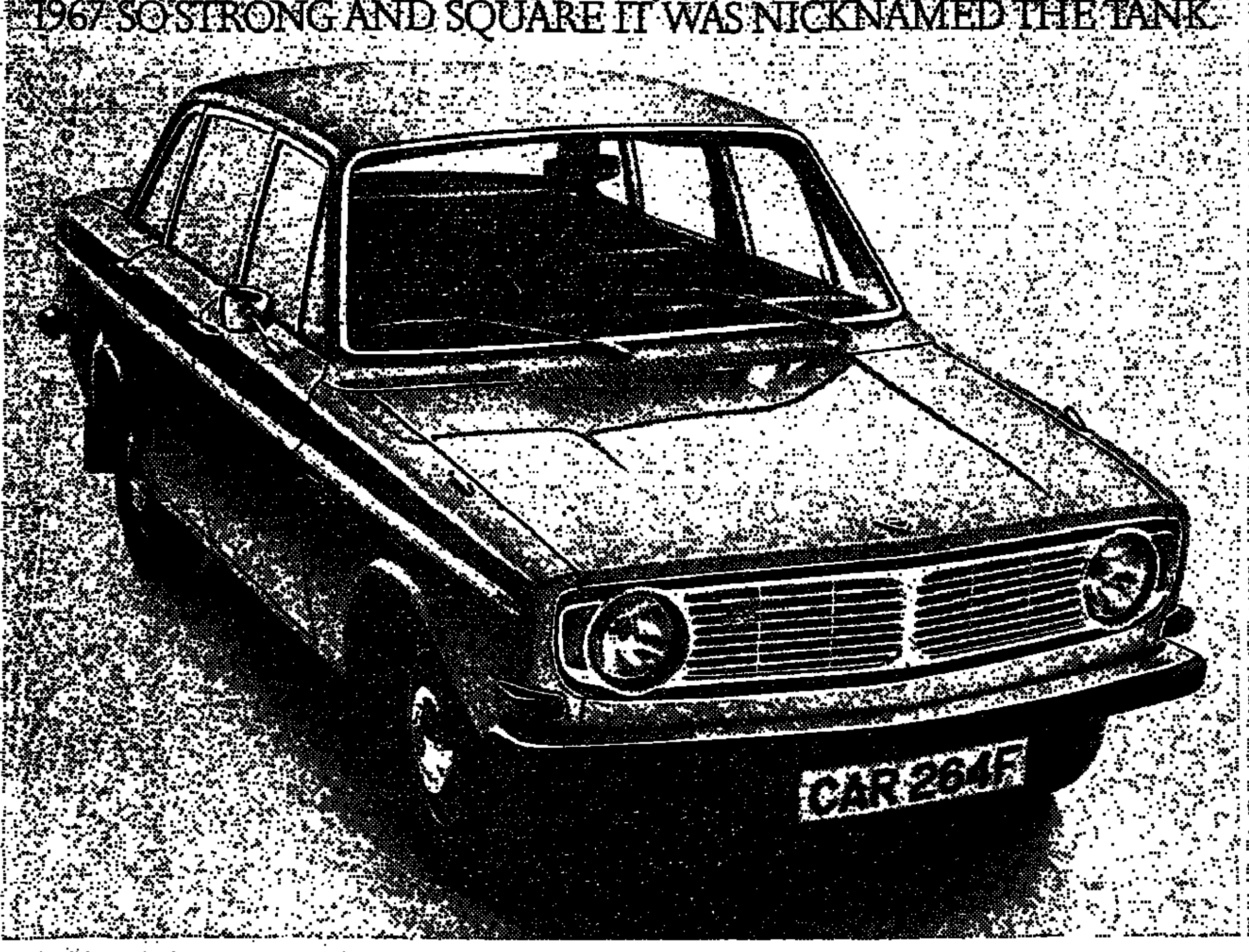
White House plan to 'sell' Budget cuts

By David Buchan in Washington

THE White House plans a big publicity campaign, including TV appearances by Cabinet officers, a media "blitz," and speaking tours arranged by volunteer committees, to sell the far-reaching economic programme which the President will announce to Congress tomorrow.

The aim is to mount as much public pressure as possible on Capitol Hill legislators to approve the Reagan programme, the core of which is successive 10 per cent annual cuts in personal tax rates, speedier depreciation for business investment, and on the spending side, Budget cuts of about $40bn for the 1981-82 fiscal year.

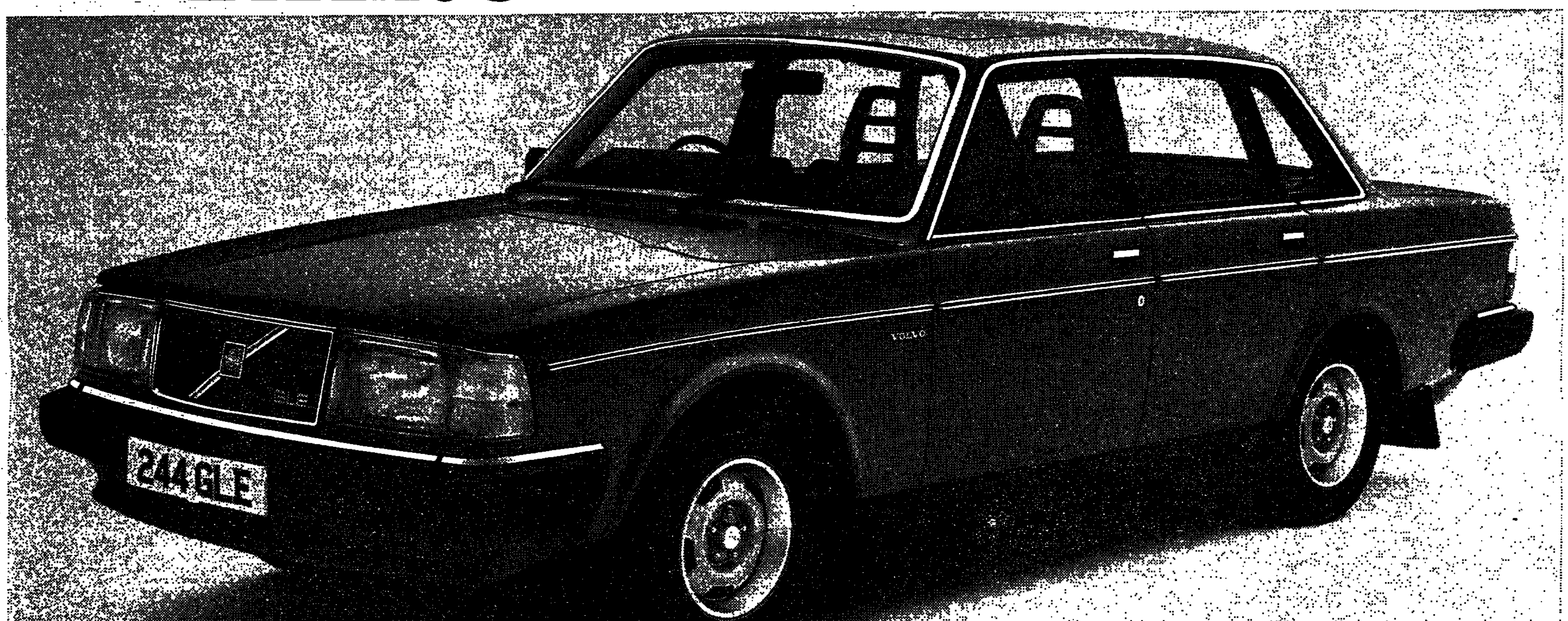
A senior Republican Senator has warned that unless the Reagan tax and spending cut package is considered as a whole and voted as a whole by Congress, it will be picked to pieces by special interest groups and the legislators they influence.



1967. SO STRONG AND SQUARE IT WAS NICKNAMED THE TANK.

1975. THOSE BIG BUMPERS REMINDED PEOPLE OF A SNOW PLOUGH.

COULD 1981 BE THE YEAR THEY STOP CALLING THE VOLVO NAMES?



1981. THE BUMPERS DON'T STICK OUT, THE LINES ARE CLASSIC. IS THIS THE VOLVO THEY CALL A CAR?

To be honest, if we have made the new 200 Series Volvos more attractive, it's not entirely on purpose.

Those elegant new headlamps were designed for safety reasons – we wanted a little more wrap-round for better visibility.

(Of course, once we'd changed the headlamps we had to tidy up the grille, too.)

On the GL and GLE, the spoiler was introduced, not to balance the car's looks, but to improve the aerodynamics, and help performance.

Even our infamous bumpers were sacrificed in the interests of efficiency, not beauty.

The new bumpers are 13kg lighter and because they don't stick out so much the car is easier to park.

We make the bumpers from incredibly tough aluminium alloy and they more than meet the Common Market's proposal on energy absorption.

(The front bumper is even mounted on telescopic shock absorbers.)

Our new fascia.

Inside the car, our designers had similar priorities.

Our new fascia was designed to be more practical and incidentally ended up looking more inviting.

We moved the centre console 35mm to bring the controls closer to hand.

We made space for more instrumentation and more storage for oddments.

Strangely, it all looks rather good.

Of course, some of our improvements are in the good old Volvo tradition and scarcely visible at all.

Like a better lock for the glove box. And on the GL and GLE, ventilated front disc brakes.

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Even if they notice them for the wrong reasons.

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WORLD TRADE NEWS

Japan trade to dominate EEC talks

BY GILES MERRITT IN BRUSSELS

UNILATERAL measures by EEC states to stem imports from Japan, together with an examination of the Reagan Administration's commitment to tackle "unfair" U.S. exports of petrochemicals and textiles, are to dominate today's EEC Council of Ministers' meeting in Brussels.

The twin trade problems posed to the Community by Japan and the U.S.—which last year ran trade surpluses with the EEC of $12bn and $20bn respectively—have been highlighted by recent negotiations in Tokyo and Washington. A number of EEC member states are known to be pressing for import restrictions, particularly on "sensitive" Japanese products.

On Japan, the EEC Commission is due to outline two possible courses of action for discussion by the Foreign Ministers' Council—the first amounts to little more than a monitoring system that would probably not affect Japanese export sales greatly, while the second could be interpreted as straightforward import curbs.

The more moderate approach, which the Brussels Commission itself appears to favour, consists of a month-by-month statistical surveillance system for monitoring motor car, colour TV and numerically controlled machine tools sold by Japan in the EEC. The alternative would be to use such a system as the basis for applying quotas on those three product categories, and is understood to be favoured strongly by Italy, Belgium and France.

West Germany, the Netherlands and Luxembourg are all expected to oppose any openly protectionist moves against Japan, while the UK's position is widely expected to be coloured by the expectation of Nissan's £200-£300m vehicle manufacturing plant. But it is clear that the EEC Commission's support for some action against Japan has been increased by what it described recently as the "major gap" between EEC demands and the Japanese Government's response at last month's Tokyo talks.

On the equally vexed issue of U.S. petrochemicals and textile exports to the EEC that have been greatly boosted by price controls on natural gas and, therefore, feedstocks, the Commission is to report that some progress was achieved at talks with Mr. William Brock, President Reagan's Special Trade Representative, in Washington last week. Herr Wilhelm Haferkamp, the EEC's External Relations Commissioner, is expected to stress the Reagan Administration's concern to deregulate the price of natural gas in advance of the scheduled 1985 date, although the inflationary effect of such a move coupled with likely opposition from within the Congress still makes the commitment a loose one.

Herr Haferkamp is also due to emphasise the U.S. Government's "sympathetic" consideration of EEC appeals for a relaxation of all U.S. restrictions on exports of naphtha, which European petrochemical producers could use to help redress the balance of trading advantage, and restraint on exports to the EEC of man-made fibres, particularly to the UK.

Dutch banks provide £1bn for Soviet pipeline

BY CHARLES BATCHELOR IN AMSTERDAM

A CONSORTIUM of Dutch banks has agreed to provide up to Fl 5bn (£1bn) worth of financing to Dutch companies involved in the construction of a 5,500 kilometre pipe line from the Soviet Union to Western Europe.

Two major Dutch banks, Algemene Bank Nederland (ABN) and Amsterdam Rotterdam Bank have reached agreement in principle with a Soviet delegation which has spent the past week in the Netherlands.

The Soviet team was headed by Mr. Victor Ivanov, deputy Minister for Foreign Trade, while the Dutch banks were led by Mr. P. J. Kalff, a member of the managing board of ABN.

The amount of financing required will depend on the success of Dutch companies in signing contracts to provide goods and services for the $11bn deal, involving gas deliveries over 20 years. The funds will be provided on what the banks called "internationally competitive conditions."

The Dutch Government and the Netherlands Credit Insurance company will cover 85 per cent of the risks involved. Not all details of the financing have been agreed and talks on these issues will continue, ABN said.

The pipeline will carry between 40bn and 65bn cubic metres of gas annually to the West from the Yamal Peninsula in north-west Siberia. The Netherlands is believed to be interested in receiving 5bn cubic metres to help prolong the life of its own reserves.

The banks and industrial companies in the Netherlands have formed a working group under the leadership of Mr. Gerrit Wagner, the former chairman of Royal Dutch Petroleum.

Contractors such as Boskalis Westminster, currently involved in a major pipeline contract in Argentina, are keen to participate in the Soviet project.

The Netherlands has one of the most extensive domestic gas networks in the world and Dutch companies have built up considerable expertise.

Other potential customers for the Soviet gas are West Germany, Austria, Italy, France, Belgium and Sweden.

Italians in Colombia hydro deal

BY RUPERT CORNWELL IN ROME

AN ITALO-COLOMBIAN consortium, headed by Impregilo, the civil engineering offshoot of the Fiat group, has won a L315bn ($133m) contract to build a 680MW hydroelectric power complex at Betania, on the Magdalena River in Colombia.

Under the terms of the turnkey contract Impregilo will handle the civil engineering part of the deal. This revolves around the construction of a 100 metre high dam on the Magdalena, which in turn will form an artificial lake containing some 2bn cubic metres of water. The work is expected to take around five years in all.

The electrical engineering aspects of the project will be handled by a separate Italian consortium, Gruppo Industrie Elettromeccaniche (GIE), while Colombia will be represented by the Estruco and Pinski concerns.

This new contract, which comes shortly after the success of a German-Italian consortium in tendering for the Mosul Dam project on the Tigris River in Iraq, is a sign of the current strength of the Italian plant and civil engineering industry.

It is estimated that companies operating in the sector won around L5 trillion of new orders in 1980 alone, a figure similar to that of 1979, while 1981 has already seen the Iraq order followed by Impregilo's success in Colombia.

Approximately L3 trillion of work is in the civil engineering field, and L2,000bn specifically in plant contracting. But even these figures probably understate the value of the sector to Italian industry, since contracting unquestionably paves the way for penetration in new markets, especially in the developing world, by other Italian manufacturing concerns.

HVA wins £54.5m Libya order

By Our Amsterdam Correspondent

HVA, the Dutch agro-industrial group, has signed a Fl 300m (£54.5m) deal with Libya to deliver and manage a milk products and poultry processing plant with associated dairy and broiler farms.

Construction work on the plant, at Tauorga, south of Misurata, will take just over two years, while the management contract, which partly overlaps the building period, will last for five years.

The order, which is the first to be carried out by HVA in Libya, has been placed by the Ministry of Agriculture. More than half of the equipment needed will be ordered in the Netherlands.

HVA, which provides contracting and consultancy services, is a member of a Dutch economic mission at present on a six-day visit to Saudi Arabia. The mission, led by Mr. Gerrit Braks, the Agriculture Minister, and comprising 30 representatives from industry, transport, banking and consultancies, will visit a number of agricultural and food processing projects.

U.S. to lift hazardous goods limit

BY DAVID BUCHAN IN WASHINGTON

PRESIDENT Reagan plans to reverse an order Mr. Jimmy Carter signed just before leaving office last month, restricting export of hazardous products whose sale in the U.S. is banned or controlled, according to Administration officials.

Scrapping the order requiring specific export licences from the Commerce Department for the products in question will be welcomed by U.S. industry, which had complained Mr. Carter's action would lose it orders to foreign competitors.

However, the Reagan philosophy is that U.S. exporters also deserve less Government aid as well as fewer restrictions, and a number of multinationals have reacted with dismay to plans by Mr. David Stockman, the Budget director, to cut the loan authority for the Export-Import Bank by around $1bn in the current fiscal year to $4.9bn and by about the same amount in 1981-82.

The radical conservatives in the Reagan Administration argue that Exim's loans go disproportionately to big companies such as Boeing, Westinghouse, General Electric, precisely those concerns that can stand on their own financial feet in the international arena.

While this it true, it can also be argued that overseas orders, supported by the Exim against foreign competition which usually get generous Government credit support, provides subcontracting work for a host of smaller U.S. companies.

Ironically, the Administration plan to scale back Exim operations, in an effort to reduce public borrowing on the private markets, comes just after the outgoing Carter Administration threatened to step up U.S. Government export credit as a means of forcing other countries, notably France, to reduce their export credit subsidies.

French printing units for China

By Terry Dodsworth in Paris

LOGABAX, the French manufacturer of small computer systems, has signed a licensing contract with China for the production of its LX-200 printing unit.

The deal, which follows President Giscard d'Estaing's visit to China last year, will be worth about FFr 30m (£2.6m). It is based on the output of about 2,000 printers a year, to be made at the Nanking telecommunications factory.

At a time when China is minimising its orders from the West, and even cancelling some contracts, the Logabax agreement is seen in France as an important breakthrough in the high technology sector.

Logabax has recently been in deep financial trouble following a period of over-rapid growth in the late 1970s. But the company was rescued last year in a deal combining private and public interests which may well lead eventually to its merger with Intertechnique, another French computer group.

Lincoln group sells India £4m shovels

By Paul Cheeseright

THE BRITISH drive to capture a slice of India's £1.4bn coal mining investment programme achieved its second success this year when yesterday, Ruston-Bucyrus of Lincoln announced that it is to sell Coal India four electric mining shovels worth £4m.

This order may be followed by others. Ruston-Bucyrus, which is half-owned by Bucyrus-Erie of the U.S. and half-owned by GEC of the UK, expects to hear within the next four weeks about its bid to supply five more shovels.

A month ago Ransomes and Rapier of Ipswich won a contract to supply the components for two draglines in a deal worth £8m.

India is planning to double its coal production to 200m tonnes.

Hong Kong orders further study on proposed airport

BY MICHAEL DONNE, AEROSPACE CORRESPONDENT

THE Hong Kong Government has awarded an £8.2m contract to a group of consultants, headed by California-based Ralph M. Parsons International, to conduct a comprehensive study for a proposed new airport at Chep Lap Kok, on Lantau Island.

RMP will conduct the study in association with the UK Civil Aviation Authority, the London-based Gollins Melvin Ward Partnership and four Hong Kong companies.

The study, one of a number conducted in recent years by the Hong Kong Government for the new airport, will cover the location of the runway and other airport facilities.

The four Hong Kong companies — Prescott Stutely Design Group, Wilbur Smith, Levett and Bailey, and Mott Hay and Anderson Far East, will be responsible for specialist sub-contracts such as civil engineering, architecture, design and environment.

The consultancy work under the new contract will start next month and take two years to complete. The results, together with the findings of other studies, including civil engineering, environmental, financial, meteorological, and oceanographic, will be presented to the Government at the end of next year.

Based on these findings, the Government will make a final decision on whether to build the £478m airport as a replacement for the increasingly congested Kai Tak on mainland Kowloon.

If approval is given, construction work at Chep Lap Kok should start in 1983, with the first phase completed by 1990.

Pertamina signs more production contracts

BY RICHARD COWPER IN JAKARTA

PERTAMINA, INDONESIA'S state-owned oil company has signed four new production-sharing contracts with eight foreign oil companies for exploration of oil and natural gas. The deals could cost the companies as much as U.S.$236m (£102m).

The contracts reflect the continuing revival of interest in the Indonesian archipelago by foreign investors over the past 18 months.

They were signed with Husky Oil International of Canada, a joint venture between Chevron and Texaco of the U.S. Mobil Oil, and a joint venture known as Kerr McGee, which groups Kerr Samedan Oil, Wainoco International and Quitana Indonesia, all of the U.S.

The agreements cover four offshore blocks totalling 42,485 sq km off East Sulawesi, onshore north and west Sumatra and offshore east Java. They specify that the companies must spend not less than $128.8m on exploration over the next two to six years.

Pertamina is to receive from the companies $11.5m in so-called information bonuses and, if eventual output from the companies' blocks reaches specified levels, it will receive a further $95.5m in production bonuses.

Under the production sharing side of the agreements Pertamina will receive 85 per cent of oil and 70 per cent of gas production after deductions for cost. The foreign companies will meet all exploration costs.

The new contracts underline the record amounts of money that foreign companies are now spending on exploration in Indonesia. Last year according to Mr. I. R. Trisulo, Pertamina's director of exploration, about $700m was spent on exploration alone, and the eight new production - sharing agreements signed in the past three months suggest that this level will continue during 1981.

● Earlier this week, the Government confirmed its intention to manage and finance by itself the construction and running of a planned $950m hydrocracker in Dumai.

The project, which was first mooted in the early 1970s has suffered from a series of controversial delays. New doubts in some Government circles as to the economic viability of the project, designed to turn residues from the existing refinery at Dumai into 2,000 barrels of kerosene, petrol and other middle level distillates, could hold the project up even further.

The Government, which in the past 18 months has grown rich without really trying as a result of the boom in oil prices, has abandoned the original concept of building and running the refinery as a joint venture with a foreign partner, an approach which was c hosen at a time when the Government was short of cash.

JOBS COLUMN

City banks' best paid staff

BY MICHAEL DIXON

TRUE, the streets of the City of London are still not paved with gold. So the more serviceable tarmac underfoot would no doubt be a disappointment to young Dick Whittington if he arrived there for the first time from Gloucester today. But I feel sure that he would not again bundle up his cat and set off back westward—not if he could find a career in City banking, at least.

There can surely be few other areas of employment where, not only are fringe benefits valued on average at 50 per cent of salary, but over one fifth of the kinds of job obtainable have an average salary of £12,500 and more. Yet that is the position in City banks according to the latest pay survey by the Jonathan Wren recruitment company, from which the accompanying table is compiled.

It is based on the salaries of people who applied between October and early January for jobs being offered by Wren on behalf of employer-clients, and is confined to the types of work in which the average salary among the applicants was at least £12,500. This proved the case in 29 of the 133 kinds of job covered by the survey, and anyone wanting information about the less well paid posts should contact Ken Anderson at Jonathan Wren (170 Bishopsgate, London EC2M 4LX; telephone 01-623 1266, telex 21792 ref. 1616).

The first and the last double-columns of figures give the minimum and maximum salaries encountered among the applicants during the period of the survey and, where the same type of post was on offer, during the corresponding period 12 months previously. But the jobs are ranked on the 1980-81 average salary shown in the middle. Since the table is otherwise self-evident, I will not go on about it, save to say that the overall increase in average salaries over the 12 months works out at 17.2 per cent.

SALARY COMPARISONS — PERIOD OCTOBER TO EARLY JANUARY

	Minimum 1980-81 £	(1979-80) £	Average 1980-81 £	(1979-80) £	Maximum 1980-81 £	(1979-80) £
General manager	20,000	—	34,999	—	40,000	—
Foreign exchange/money manager	20,000	(17,500)	25,272	(21,011)	32,500	(26,000)
Assistant general manager	17,750	—	24,051	—	36,500	—
Loan manager	17,750	(18,000)	23,581	(21,375)	32,500	(25,000)
Bond issue manager	16,500	(15,000)	19,880	(17,999)	30,000	(22,000)
Senior corporate finance executive	14,000	(12,000)	19,784	(14,703)	25,000	(19,500)
Foreign exchange chief dealer	15,000	(11,500)	18,942	(15,700)	22,800	(18,500)
Financial controller	14,000	(12,000)	18,824	(15,016)	24,000	(14,500)
Senior investment manager	14,000	—	18,202	—	23,000	—
Operations manager	14,000	(12,000)	17,500	(15,250)	21,000	(18,500)
Chief auditor	14,000	(11,000)	17,023	(13,866)	22,000	(15,000)
Personnel manager	13,500	(10,500)	16,652	(12,890)	21,000	(16,300)
Project finance executive	10,500	(9,300)	16,325	(12,200)	22,500	(20,000)
Company secretary	10,500	(10,250)	15,265	(12,004)	23,000	[illegible]
Senior lending officer	10,000	(10,000)	15,210	(12,806)	22,500	(15,900)
Branch manager	12,000	(10,000)	14,943	(11,512)	24,500	(15,000)
O & M manager	12,000	(9,660)	14,900	(11,885)	17,800	(16,500)
Bond marketing/sales executive	10,000	(8,900)	14,679	(12,425)	20,000	(15,000)
Bond dealer	10,000	(8,000)	14,495	(13,228)	20,000	(17,500)
Chief accountant	10,000	(10,000)	14,391	(12,689)	17,000	(14,250)
Data processing manager	10,500	(11,000)	14,250	(13,334)	16,000	(17,500)
Senior foreign exchange/deposit dealer	10,000	(10,000)	13,586	(11,807)	16,500	(19,000)
Syndication manager	8,000	—	13,569	—	20,500	—
Bond administration manager	10,000	(10,200)	13,445	(12,110)	18,000	(14,000)
Documentary credits manager	9,000	(9,000)	12,807	(11,551)	15,000	(14,000)
Investment fund/portfolio manager	9,500	(10,000)	12,802	(14,083)	17,000	(17,500)
Legal officer	7,000	(9,200)	12,721	(12,952)	23,250	(16,000)
Credit department manager	10,000	(10,000)	12,437	(11,112)	15,000	(14,000)
Adviser (on banking and administrative procedures)	10,000	(9,000)	12,540	(10,761)	15,000	(14,000)

We shall be returning to Jonathan Wren later because Roy Webb, who heads the company's international appointments division, has three posts on offer elsewhere in Europe. But we will stay this side of the Channel for long enough to report the latest data on the movements of foreign banks into and out of London, as recorded by the Noel Alexander Associates consultancy.

During 1980, a total of seven overseas banks disappeared, one being of United States origin, three European, and the rest hailing from other parts of the world although none of them was Japanese. Conversely, a total of 35 moved in, one from the U.S., 21 from Europe and 13 from elsewhere, again excluding Japan.

The net inflow of 28 over last year is the second largest in the past two decades, the record still residing with 1974 when 32 came into London for the loss of only one. Altogether, according to Noel Alexander's count, at the turn of the year London offices were held by 72 U.S. banks, 140 European, 24 Japanese, and 147 of other nationality, giving a total of 383.

Three abroad

NOW to Roy Webb, who can be contacted at the address given earlier. Since he may not name any of his clients, he promises that he will not identify any applicant who so requests to the employer without further permission.

First on his list is the job of head of treasury in Paris with a medium-sized commercial bank active in all major currencies. Reporting to the deputy general manager who heads international operations, the recruit will monitor fluctuations and provide advice on currencies to clients and others. Fluent French, and a "name" in the foreign-exchange market based on at least four years of active trading, are required. Business degree a help. Salary equivalent of about £28,000.

Second is a senior Euro-deposit dealer's post in Luxembourg with a major German bank, requiring a minimum of five years energetic trading in the same wide field, and fluent German. Responsibility is to the chief dealer. Salary indicator is equivalent of around £20,000.

Mr. Webb's third quarry is a head of shipping responsible for a US$150m loan portfolio to the director of a continental bank in Brussels. Very much a marketing job, it requires considerable European travel. Three years of Eurobanking plus a further two specialising in shipping are the minimum qualification. Second European language and business degree would help. Salary indicator $45,000.

COMPANY NOTICES

NOTICE OF RATE OF INTEREST
ELECTRICITY SUPPLY COMMISSION
(South Africa)

GUARANTEED FLOATING RATE NOTES DUE 1982

In accordance with the provisions of the Fiscal Agency Agreement between Electricity Supply Commission and Citibank, N.A., Fiscal Agent, dated as of August 15, 1974, notice is hereby given that the Rate of Interest on Coupon No. 14 dated August 17, 1981, shall be 18½%. Interest payable has been computed on the actual number of days elapsed (181) divided by 360.

By CITIBANK, N.A. as Fiscal Agent

February 17, 1981.

SONATRACH

U.S.$50,000,000 FLOATING RATE SERIAL NOTES DUE 1991

NOTICE IS HEREBY GIVEN that the Rate of Interest has been fixed at 18½% and the Coupon Amount payable August 17, 1981, against Coupon No. 5 will be U.S.$930.14.

By: CITIBANK, N.A., LONDON, Agent Bank

February 17, 1981.

REGIE NATIONALE DES USINES RENAULT

7½% Lebanese Pounds Bonds due 1985

The eighth instalment of Bonds for a nominal value of LL 5,000,000 have been purchased for redemption on 15th March, 1981. No drawings of bonds have therefore been made.

Banque Bruxelles Lambert S.A.
Bank Brussel Lambert N.V.

PUBLIC NOTICE

GREATER LONDON BILLS

£35m Bills issued 12.2.81 maturing 14.5.81 @ 12.4828%. Total applications £150.5m. Bills outstanding £60m.

UK NEWS

Fibres industry at 14-year low

BY RHYS DAVID, TEXTILES CORRESPONDENT

OUTPUT IN Britain's synthetic fibre industry fell by a quarter last year to its lowest level since 1967, and some 10,000 jobs—more than one third of the industry's total workforce—were axed.

The industry has been hit by the simultaneous impact of *reduced demand from* UK textile industry customers, where output fell by around 20 per cent last year, and by the increased penetration of the UK market by low-priced imports of American fibres and fibre products.

Exports, which held up reasonably well in the first half of the year, also fell away in the second half, the result, according to British Man-made Fibres Federation, of the pressures caused by high energy costs, high interest rates and the inflated value of sterling.

Total sales overseas in the final quarter were down 20 per cent on the same period a year earlier and down by 8.5 per cent over 1980 as a whole. Exports nevertheless accounted for more than 54 per cent of the total deliveries by the industry during the year.

The industry's total output in 1980 at 450,000 tonnes compares with a peak of 725,000 tonnes in 1973 and may not represent its lowest point in the present recession.

Both ICI and British Enkalon, two of the biggest producers, are currently engaged in reducing capacity in the UK to meet expected future demands for products such as polyster filament for which there is major over capacity worldwide.

As part of this programme another 5,000 jobs are set to disappear. The industry's labour force totals just under 18,000 compared with 30,000 in 1978.

The industry's hopes for some relief are based partly on the extensive cuts and on talks held recently in Washington between an EEC trade team led by Sir Roy Denman, director general for external trade, and U.S. government officials.

They have been discussing a range of trade issues separating the EEC and the U.S. with special emphasis on the problems caused by the competitiveness of U.S. textile producers as a result of their access to low cost energy feedstock.

The UK fibre industry is hoping the talks will result in the Americans agreeing to voluntary restraint on their exports of textile products to the UK and other European countries.

U.S. fibre exports to the UK did fall off towards the end of 1980 in response to the very weak trading conditions in the British market and exports of fibre products continue to pour in.

Imports of bed linen at 3,700 tonnes were four times as great in 1980 as in 1978 and in carpets U.S. exports in 1980 were running eight times higher than in 1978.

Fresh air lingers with the gloom hanging over Linwood

Lisa Wood examines the consequences of the Peugeot-Citroen closure

THE TRAVEL agency in Linwood's small shopping centre is closed. The window still advertises Continental camping holidays but is now plastered with posters advertising a "right to work" demonstration in Glasgow six miles away, next Saturday.

Margaret and Andy Gray, both aged 18 and with a four-month-old son, said they would be going on the march. Andy, except for a brief six months' work-experience job, has been unemployed since leaving school.

His father was made redundant at Talbot UK's Linwood plant some years ago. Margaret's father was made redundant there last July.

Peugeot-Citroen, Talbot's French parent company, will close the plant in the early summer. Then, Mr. Mark Page of Renfrew District Council says, about 30 per cent of men in Linwood could be unemployed in an area, the Strathclyde region, where unemployment is already 15.1 per cent.

It is estimated that about one-third of the 4,800 workforce at the plant live in Linwood, a short walk from the town's main residential area. The rest commute from adjoining towns, such as Johnstone and Paisley, so the closure's repercussions will be widely spread.

Linwood's council estates were built by Refrew District Council and the Scottish Special Housing Association with the specific intention of accomodating a significant part of the new car-plant's workforce. In the early 1960s they housed a much greater percentage of the workers at what was, then, the Rootes plant.

The company had the right to nominate a large percentage of the occupants. Successive waves *of redundancies over the past* 17 years have meant that employment has had to be sought elsewhere in the Clydebank area. Families, however, often have chosen to remain in Linwood.

For Linwood—in the 1950s a village only, with a couple of employers who included the Reid Gear Engineering works and a paper-mill—was seen by many as a "breath of fresh air" after life in towns such as Glasgow.

The town pushes into the countryside, sandwiched between Glasgow airport and pleasant villages where the area's professional classes have made their homes.

Linwood has about 3,800 houses, accommodating about 13,000 people. Only about 60 are owner-occupied. The houses stretch out in endless, featureless rows, interspersed with lonely open spaces.

In the rush to provide homes for workers there has been little apparent attention to proper landscaping and amenities. A new shopping-centre has been grafted on to one side in recent years and a spanking new sports-centre was opened last year on the other side.

Mr. Page, principal assistant to Renfrew District Council's planning officer, said: "Facilities are being provided but it is the usual situation of their *being provided late*—some would say too late.

"The shopping-centre got off to a very hesitant start but then started to pick up in 1978 when Woolworth's opened. It's not fully let but the area no longer looks bleak."

The centre, advertised rather grandly on the approach road as Linwood Regional Shopping Centre, boasts a range of small shops and a Chinese restaurant.

But in the electrical store it was reconditioned vacuum-cleaners that were on show, and on St. Valentine's Day there was not one bunch of flowers on sale.

Linwood does have its bright spots, including a new library. "There's a lot happening in Linwood," said the librarian. "It's not just pubs and houses. There are lots of clubs and an active community centre.

"There is a smashing take-up of books. Parents want their children to get on. We haven't been classified as an area of deprivation."

Mitel to set up £32m Gwent plant

BY JASON CRISP

MITEL, the Canadian telecommunications company, confirmed yesterday that it is setting up its European headquarters in Caldicot, Gwent, at a cost of £32.5m.

The factory will eventually occupy more than 250,000 sq ft. By 1984 it is expected to employ 1,700 people and Mitel says this could rise to 3,000. It will manufacture electronic switchboards, integrated circuits and thick-film hybrid circuits.

In addition to substantial grants available under regional development aid, Mitel will receive a grant from the Welsh Office under Section 7 of the 1972 Industry Act. The company is also expected to receive a £16m loan from the European Coal and Steel Community as it is setting up within a steel closure area.

Mitel was started in Canada in 1973 by two British expatriates and has become Canada's fastest growing company. Each year sales have doubled—last year turnover was C\$43m (£15.7m) and this year it is expected to exceed C\$100m.

Last year British Telecom, GEC and Plessey licensed its Iso-CMOS technology for the manufacture of semiconductors. GEC and Plessey will manufacture microchips using the technology, at first mainly for telecommunications use.

Mr. Nicholas Edwards, Secretary of State for Wales said yesterday: "The company will be making a very substantial contribution to easing the problems caused by the slim-down at Llanwern and will provide the type of high technology jobs we are seeking to bring to Wales."

Call for better carpet trade service

BY DAVID CHURCHILL, CONSUMER AFFAIRS CORRESPONDENT

PROPOSALS to improve the quality of service given by carpet manufacturers and retailers were put forward yesterday by Mr. Gordon Borrie, director general of the Office of Fair Trading.

Mr. Borrie made his proposals at a trade conference in Brighton yesterday, following last year's lukewarm response by the industry to plans for a comprehensive code of practice.

Mr. Borrie's concern about consumer problems in the carpet industry follows last year's 15,000 complaints about carpets—about 3 per cent of total complaints received by the Office of Fair Trading. *Most referred to* fitting problems, unsatisfactory wear, delivery dates and delays in the handling of complaints.

Proposals to improve service included more product information on the carpet's label. Mr. Borrie said, "Terms such as 'heavy duty' or 'general duty' could be further defined as to make it clear for which domestic circumstances carpets were suitable."

He also called on manufacturers to "ensure that their quality control and product testing standards are of the highest possible standards." He wanted to see "a totally independent form of arbitration which would provide facilities for a wide range of complaints."

Mr. Borrie said he was "disappointed that the carpet industry has been unwilling to agree a code of practice to raise trading standards." He suggested that one way to deal with recession was "to give a better product and a better customer service."

Cardiff loses monopoly power over bus service

BY LYNTON McLAIN AND ROBIN REEVES

MONOPOLY powers held by the City of Cardiff for local bus services have been revoked by the Government. The move opens the way for private operators to start competitive services in the city.

If applications are successful, Cardiff will be the first city in Britain to have its monopoly over public transport taken away.

At the same time the Government has agreed to the setting up of the first "trial area"—in Norfolk—where all restrictions over licensing public and private transport operations will be lifted for an experimental period.

Trial areas are permitted under the Transport Act 1980, but the Transport Department had to agree to make a "*transitional payment*" in the form of revenue support grants to Norfolk before the county council agreed to become the first authority to experiment with areas.

Cardiff has had the right for more than 50 years to restrict the running of private buses in competition with the city's own public transport services. These powers were held under the Cardiff Corporation Act 1930, section 46.

The powers have rarely, if ever, been used by the city although the local Traffic Commission retained the right to vet and, if necessary, prevent new services.

Nevertheless Cardiff has had a monopoly of the supply of public transport services in the city, although private companies do operate services for schools and for local factories.

Mr. Norman Fowler, the Transport Secretary used his powers under section 43 of last year's Transport Act to revoke the monopoly powers of the Cardiff Corporation Act.

The first application under the Transport Act 1980 after the revocation of Cardiff's monopoly powers is to be heard by the local Traffic Commissioners on Thursday. C. K. Coaches wants to take over two routes, to Cynceod and Llanrhymney, now run by the local council.

Mr. Fowler is anxious to make the maximum publicity out of his decision to revoke Cardiff's monopoly powers, to illustrate the opportunities open to private operators under his Transport Act.

Tesco and Asda plan more jobs

By David Churchill, Consumer Affairs Correspondent

TWO SUPERMARKET chains, Asda and Tesco, yesterday detailed store-expansion plans which this year will create 2,400 jobs.

Tesco, celebrating its golden jubilee, this year is opening three supermarkets this month and two in March. The three are at Ware, Herts, Portslade, Sussex, and Flitwich, Beds. The two opening in March are in Cardiff and Falkirk.

For Tesco the openings will add 118,600 sq ft of selling space and create 900 new jobs. Tesco is also adding a 20,800 sq ft extension to its Peterborough store.

Asda said yesterday it planned to open five stores this year. These would cost about £15m

Asda plans to open at least six superstores a year *over the next five years.*

Heads issue warning on exam 'list'

By Michael Dixon, Education Correspondent

HEAD TEACHERS of state and independent schools yesterday jointly warned the Government of the possible misleading effects of its decision to make schools publish their annual results in national examinations from next year.

Mr. David Hart, general secretary of the 21,000-member National Association of Head Teachers, and Mr. James Cobban, of the Independent Schools Joint Council, issued a statement.

They said it was essential the form of publication would prevent the drawing up of comparative league tables in which schools were ranked by their examination results. The Government's measure will affect all state secondary schools but it will not apply to independents other than the 200-plus which have opted into the state's assisted places *scheme.*

Thorn faces £10m claim over colour TV patent

BY RAYMOND HUGHES, LAW COURTS CORRESPONDENT

A £10m damages claim over alleged infringement of a colour television patent is expected to come before the High Court later this year.

The claim against Thorn Consumer Electronics was made by Compagnie Francaise de Television.

In its writ, issued in 1971, CFT claims an injunction against infringement of its patent, damages and delivery up or destruction of infringing television sets.

Thorn denies infringement and counterclaims revocation of the patent.

In the High Court on Friday, Mr. Justice Whitford granted Thorn an order that CFT lodge £75,000 security for Thorn's costs.

He was told by Mr. Stephen Grafwick QC, for Thorn, that it was a test case of considerable financial weight. If CFT was right in its claim, damages could exceed £10m.

The case concerned the colour carrying signal in television sets, counsel said.

The judge saaid that Thorn had incurred £36,000 costs and there would be a further £73,000 in preparing the case for trial.

CFT had a substantial business, deriving considerable sums from the exploitation of patents. Almost all its profits were distributed each year as dividends, leaving only a small sum to be carried forward, he said.

It was a concern of some repute, but the fact remained that it was not as easy to enforce an order for costs in France as it was in the UK.

It would be appropriate to *order security, said the judge,* adding that it might spur CFT to bring the case to trial.

UK NEWS

Lloyd's members urged to lobby MPs on new Bill

BY JOHN MOORE

MR. PETER GREEN, chairman of Lloyd's of London, the insurance market supported by a private membership, has urged its 20,000 members to seek their MPs' support for a new Bill improving self regulation in the Lloyd's market.

The surprise move comes as political opposition to the Bill is mounting over a number of key issues. A number of Conservative MPs have raised their own criticisms of the Bill and a formula for compromise was to be presented to them last night by Lloyd's through Sir Graham Page MP, who is steering the Bill through Parliament on Lloyd's behalf.

In a letter, Mr. Green urges Lloyd's members "to contact your own MP and to request him to attend the debate," scheduled for next month in the House of Commons, "and help secure the passage of this important Bill."

He says that it is important that "a sufficient number of MPs are present to secure the second reading and ensure that the Bill moves into Committee where the various points at issue can be discussed in detail."

He says that "it was always unlikely that Parliament would pass such an important private Bill 'on the nod' without a full debate."

After the debate Mr. Green expects the Bill to be passed to its committee stage for detailed examination and for consideration of the petition against the Bill which has been lodged by two members of Lloyd's.

The petition, which is supported by more than 200 members of Lloyd's who have objected to the Bill on many issues, means that it will go to an "opposed" committee in Parliament where all the opposing arguments will be heard.

Lloyd's has listed four main points of concern voiced by a number of MPs.

They are:

● The structure of a new Lloyd's ruling council. Are six representatives on a new 25-strong council from the 16,000 non-working members of Lloyd's enough? "The Committee believes it is about right," says Lloyd's, "but if Parliament is persuaded to make a small adjustment of these figures, so be it."

● Immunity. The new Bill incorporates an indemnity protecting Lloyd's from legal liability. "The suggested indemnity clause, says Lloyd's, "would not bar a member or group of members from seeking an injunction in the courts to prevent the Council from taking unreasonable action."

● Independence of Lloyd's interests. Divestment of brokers' rights to manage an underwriting agency may be a method of achieving this, says Lloyd's, adding that the new council will be studying this problem as soon as the council is formed by the new legislation.

● Fraud. "Certain MPs are concerned to ensure that Lloyd's will have the necessary power to deal effectively with 'fraudulent' behaviour by those who work in the market," says Lloyd's. Lloyd's has said that a process has been found for dealing with this problem, and an "appropriate paragraph" is being drafted, "dealing with the complicated legal points involved."

£180m Government stake likely in submarine plant

BY WILLIAM HALL, SHIPPING CORRESPONDENT

THE Government is considering investing nearly £180m in a new submarine building complex at Vickers Shipbuilders at Barrow in Furness, Cumbria, as part of its plans to build four or five Trident nuclear submarines.

Vickers has been chosen to build the Trident Submarines (SSBNs) and its parent, British Shipbuilders, believes that the provision of a covered submarine facility is an "essential requirement for future submarine building" at Barrow.

Because of its serious financial problems British Shipbuilders has invested very little money in Vickers since it was nationalised.

The building project, which involves filling in part of the Devonshire Dock at Barrow, has been under consideration for several years but has assumed considerable urgency following the Government's decision to go ahead with the Trident programme.

It is most unlikely that the project could be completed on schedule without the provision of a covered building facility.

When the scheme was first contemplated several years ago the cost was estimated at £50m. However, the cost has now risen to £115m and taking account of inflation the final cost could be about £180m-£200m.

These estimates have emerged from the latest published evidence given to the House of Commons Defence Committee on Strategic Nuclear Weapons Policy.

British Shipbuilders will also have to find about £15m to modernise Cammell Laird if it is chosen to build nuclear fleet submarines (SSNs).

However, the Government still has to decide how the planned investment will be paid for. British Shipbuilders has no money of its own but the Ministry of Defence is unhappy about paying the whole cost as part of the Trident programme.

● British Shipbuilders has denied a report that up to 2,000 jobs could be lost at Yarrow on the Clyde as a result of the cut in warship orders. It said that until the Ministry of Defence completed its review of defence spending it was "unhelpful to speculate on which yards might be affected or the total impact on unemployment."

New Engineering Council initiative

BY LISA WOOD

AN INITIATIVE to solve some difficulties over the launching of the Government's proposed Engineering Council has been made by representatives of the engineering industry, including the civil, mechanical, electrical and chemical engineering institutions.

The move, by the Engineering Employers' Federation and the four largest engineering institutions, deals with the wording of the draft charter of the Engineering Council, the closed shop and consultation procedures between the Council of Engineering Institution (CEI) and the proposed new body.

However, it does not address itself to other problems which have still to be resolved between the Department and the CEI, such as the role of the CEI in the new council.

The Department of Industry said yesterday that the EEF proposals were not the only ones it had to consider. "We are still deep in discussions with the Council of Engineering Institutions and hope for an early outcome to the matters that need to be resolved," said a spokesman.

Trade surplus at record £757m

BY PETER RIDDELL, ECONOMICS CORRESPONDENT

THE visible trade surplus of £757m last month was a record, and between £300m and £400m higher than in each of the previous four months.

The seamen's dispute is officially reckoned to account for only part of the rise.

Total exports in January were 2½ per cent less than in the previous month while import volume was 11 per cent down. Arrivals of basic materials and of semi-manufactured goods (other than chemicals and precious stones) were particularly low.

Between November and January there was a visible trade surplus of £1.55bn compared with £791m in the previous three months. The main features were increases of more than £250m in the surplus on finished manufactured goods (excluding erratic items) and of around £150m for fuels and for food, beverages and tobacco.

Export volume was 2½ per cent up over the period and the Department of Trade says the underlying trend appears to have been broadly flat since the the middle of last year. Import volume fell by 3 per cent in the three months, continuing the decline seen since the beginning of last year.

The surplus on invisible trade —services, profits, dividends and transfers—is projected to be running at £200m a month in the current quarter. This is higher than the average monthly surplus of £100m projected for the previous quarter as it takes account of increased Budget refunds from the EEC.

The latest figures not only take account of normal revisions to the data at this time of year but also reflect changes in presentation.

		Exports £m seasonally adjusted	Imports £m seasonally adjusted	Exports Volume seasonally adjusted 1975=100	Imports Volume seasonally adjusted 1975=100	Terms of trade *Unadjusted 1975=100	Oil balance £m
1979	1st	8,311	9,747	108.1	114.5	107.6	−217
	2nd	10,767	11,291	136.3	130.2	106.6	−233
	3rd	10,491	11,253	128.1	129.0	106.9	−172
	4th	11,118	11,893	130.1	128.9	103.5	−152
1980	1st	11,871	12,259	131.4	124.5	101.0	− 95
	2nd	11,915	12,235	128.3	125.8	103.4	− 11
	3rd	11,700	11,084	124.7	115.6	105.5	+157
	4th	11,868	10,602	126.6	110.4	105.6	+222
	August	3,781	3,810	120.8	117.9	106.0	+ 23
	Sept.	3,871	3,527	123.9	110.6	105.3	+ 39
	Oct.	3,910	3,434	124.8	107.1	105.4	+133
	Nov.	3,953	3,530	127.9	111.6	106.0	+ 54
	Dec.	4,005	3,638	127.1	112.6	105.5	+ 35
1981	Jan.	4,006	3,249	123.7	100.6	106.4	+210

* Ratio of export prices to import prices

Source: Department of Trade

Committee to monitor benefits scheme

Financial Times Reporter

THE Social Security Advisory Committee is to monitor the working of the supplementary benefits scheme which was introduced in November.

It will make its own inquiries as well as receiving reports from the Department of Health and Social Security and Northern Ireland Department of Health and Social Services.

The previous system of discretionary entitlements to benefit has been replaced by a firm legal benefits structure. By setting out the rules under which the scheme operates, the Government intended to make the scheme fairer and easier to understand, giving claimants a simple statement showing how their entitlement is calculated.

The scheme also redistributed resources to give greater help to families

Sir Arthur Armitage, chairman of the committee, said... it was sending requests for feedback from about 40 representative organisations outside Government who were the most likely to be in touch with the operation of the scheme. The committee is also keen for comments from anyone else.

Site speed limit

VEHICLES used within factory and construction sites are to be limited in speed to 18 mph by an order approved in the Lords yesterday. The Earl of Avon said this "seemingly odd step" by the Government would exempt such vehicles from EEC tachgraph rules.

Printers' tax suit

THE LORDS reserved judgment yesterday on whether the National Federation of Self-Employed and Small Businesses can sue the Inland Revenue over an amnesty granted to Fleet Street's 6,000 casual print workers. The workers were alleged to be evading some £1m a year.

Vehicle standards

NEW STANDARDS for exhaust emission from diesel-engined vehicles and for child restraints in cars were laid before Parliament yesterday. They gave manufacturers the chance to have tests undertaken to standards set out in the regulations of the UN Economic Commission for Europe.

Lonrho must wait

THE Court of Appeal yesterday reserved judgment on the challenge by Lonrho to a High Court ruling that there is no legal basis for Lonrho's £116m damages claim against Shell and BP over the oil companies' alleged violation of Rhodesian sanctions.

Woman's Own offers discount on Vauxhalls

BY KENNETH GOODING, MOTOR INDUSTRY CORRESPONDENT

WOMAN'S OWN magazine adds a new twist to the car price war today with an offer of 14 per cent discounts on 11 models in the Vauxhall Chevette range —representing savings of between £266 and £530 a car.

The scheme has had a mixed reception from the 600 Vauxhall dealers given the option of taking part.

One dealer last night complained: "It is an ill-considered scheme which will have adverse repercussions without adding significantly to our trade.

"It is very wrong to promote the maximum discounts in this way because, although the scheme refers only to Chevettes, it is bound to spill over to other models. Customers will want similar discounts on all Vauxhalls.

"It will make is very difficult, in particular for dealers currently negotiating deals with fleet managers."

Dealers' margins on the Chevette are 16½ per cent and Vauxhall is making no concession for the campaign. Dealers must decide whether to display the magazine posters that they are in the scheme.

Woman's Own has a circulation of about 1.6m with a readership of just under 7m. Ms. Iris Burton, the editor, said yesterday: "The prices are better than you'd get if you went into a showroom with cash in hand."

For a standard two-door Chevette, readers will pay £2,618, saving £266 and at the other end of the range the GL four-door will be £3,573, saving £530.

Arthur Smith writes: BL Cars has improved profits by £120,000 and cash flow by £1.22m at its Sherpa van factory in Birmingham, under a research programme in collaboration with Warwick University.

A computer-based monitoring system has reduced stockholding requirements from 12 to three weeks. Storage of steel has been cut from 1,400 to 400 tons. BL said the system took five months to develop and install. It will be extended to control component stock levels and is expected to yield further significant profit improvements.

The project is one of 45 established under the teaching company programme sponsored by the Department of Industry and the Science Research Council.

Research is also under way at the Coventry engines plant to reduce the use of metal cutting tools. It is hoped to extend the system to cover the whole of BL Cars' machining areas.

Windscale seeks unit to recover plutonium

By David Fishlock, Science Editor

PLANNING PERMISSION for a £100m chemical complex at Windscale, to recover traces of plutonium from nuclear waste, is being sought by British Nuclear Fuels.

The plant, part of the £2bn investment programme the company is carrying out in the 1980s at Windscale, will be built on a greenfield site of 59 acres adjoining the present factory.

The company said last night it hoped to construct the plant in three years once planning permission was granted. The plant is not expected to require a large workforce. Dozens rather than hundreds, would be employed the company estimated.

The main purpose will be to extract traces of plutonium from a wide range of contaminated materials used in the factory and laboratories at Windscale, where spent nuclear fuel from power stations is recycled.

The planning permission which the company seeks also covers a small research and development programme on the treatment of plutonium-contaminated waste.

Antique tumbler fetches £5,200

BY ANTONY THORNCROFT

A NUREMBERG "Schwarzlot" tumbler of around 1670, which sold for £8 at Sotheby's in 1939, realised £5,200 in the same saleroom yestedav in an auction of glass totalling £86,038. The buyer will have to pay an extra 11.5 per cent in premium and VAT. Top price in the sale was the £6,500 for an enamelled and gilt "Reichsadlerhumpen," beaker, 34 cm high dating from 1614.

Two items made £3,000—a pair of facon-de-venise candlesticks of around 1600 and a gilt lithyalin beaker of around 1830.

In an antiquities and tribal art auction a large bronze standing male figure, after the antique, was bought for £2,600 way above forecast.

Christie's sold pre-Colombian and New Guinea tribal art in Los Angeles over the week end. It had been collected by the late George Kennedy, a professor in geophysics at the University of California who developed thermo luminescent dating and was well able to guarantee the antiquity of his items. A Maprik lintel from New Guinea sold for £6,521.

Also in Los Angeles, Christie's sold collectors cars and vintage airplanes. A 1939 Packard 12 sold for £47,826 and a 1931 Bentley for £39,130. Among the planes a 1938 De Havilland 94 Moth Minor went to a New Zealand buyer for £12,173.

More Scottish jobs at risk

BY GARETH GRIFFITHS

THE SCOTCH whisky industry, whose workforce was cut by 9 per cent last year because of falling demand, could be on the verge of shedding more jobs, particularly in the smaller distilleries.

The Scotch Whisky Association said yesterday that the 9 per cent fall was mainly covered by natural wastage, but if demand continued to fall there would have to be forced redundancies.

About 2,300 jobs were lost last year in the industry and there was widespread loss of earnings through short time working. Scotch whisky manufacturers are now working at 55 per cent of distilling capacity and 72 per cent of bottling capacity, compared with 82 per cent in each case a year ago.

Mr. Ian Coombs, chairman of the SWA information committee, said that during the first eight months of the current financial year releases of Scotch whisky on which duty was paid for the home market fell by 16 per cent compared with the same period in 1979.

The industry does not expect releases this month and in March to be on the same scale as during the pre-Budget buying spree last year. Government revenue from excise duty on spirits between April and December last year was £45m down on the same period in 1979. The SWA has told the Government that diminishing returns on spirits duty have now set in.

Exports account for 85 per cent of Scotch sales but the industry argues that it needs a strong home base for its operations.

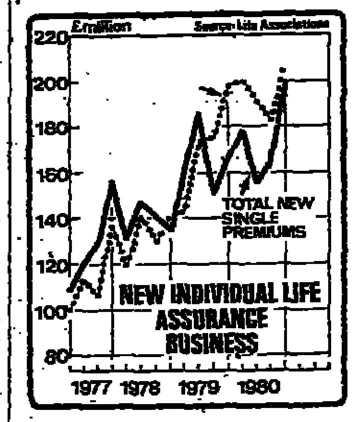
The industry thinks that if duty goes up in the Budget on March 10, a knock-on effect will be that some of the smaller distillers could be forced to sell stock for bulk malt exports. The number of export markets accepting bulk malt shipments has risen from 40 in September to 51 last month.

Poor year for new life business reported

By Eric Short

TRADITIONAL life assurance companies had a poor year in 1980 for new ordinary business from individuals. New annual premiums rose by only 3.6 per cent to £333m, against £320.6m in 1979. Single premiums were more than 4 per cent lower at £292m compared with £305m.

In contrast there was a boom in linked-life business taken out by individuals, with annual premiums rising 23 per cent from £114m to a record £140m,



and single premiums up 7 per cent from £288m to £308m—a level only exceeded in 1973 at £340m.

This buoyant linked-life market, and a 20 per cent rise in industrial life annual premium business—bringing it to £211m—meant that total annual premiums on all individual assurances improved from £611m to £683m. This is a rise of 12 per cent, slightly below the rate of inflation in 1980.

The three life associations issued these figures yesterday. They showed that the dull house purchase market last year severely hit conventional ordinary life business, especially over the second half of the year. Annual premiums for these contracts declined 4.5 per cent from £92.4m to £88.2m in the fourth quarter, following an 8 per cent drop in the third.

Significantly, the figures show that the decline came from business sold by insurance brokers. Traditional life companies selling direct to the public more than account for the small increase in 1980. Last year insurance brokers, for a variety of reasons, moved the emphasis on individual life contracts from the traditional to the unit-linked type.

A very good final quarter resulted in new annual premiums advancing by 14 per cent from £79m to £90m, and single premiums rising by one-third from £71m to £96m. In the final quarter, annual premiums increased by one-quarter to £24m and single premiums by three-quarters to £26m.

But there was a contrasting pattern of pension business between the traditional and the unit-linked companies last year. Most of the annual premium rise came from unit-linked contracts which rose by 26 per cent to £29m, while the conventional type premiums increased by only 9 per cent to £61m.

But single premium conventional pension plans improved by 36 per cent to £83m, while linked single premiums advanced by 30 per cent to £13m.

Thus total new annual premiums on all individual contracts, life and pension, sold by life companies last year improved by 12 per cent from £690m to £773m, and single premiums on all individual contracts rose 5 per cent from £664m to £696m.

EEC the key to British Sugar plan for closures

John Edwards explains why the corporations' decision follows so closely the cuts announced by its competitor Tate & Lyle

BRITISH SUGAR Corporation's decision to close four of its 17 factories, coming so soon after Tate & Lyle's planned closure of its Liverpool refinery, suggests radical changes in the UK sugar industry.

Britain's two leading sugar suppliers account for more than 90 per cent of the total market.

To the outsider it must seem surprising that British Sugar, having won a major victory in forcing Tate to cut cane output, itself promptly decides to reduce output. But the opposite is true.

The victory over Tate & Lyle has given British Sugar the opportunity to rationalise and concentrate its attention on another "enemy"—the S. & W. Berisford group whose takeover bid for British Sugar is being studied by the Monopolies Commission.

Even if the commission, whose report is due by March 3, finds against the Berisford bid, British Sugar is still vulnerable as a one-product group with valuable UK assets built up by a £150m expansion programme over the past five years.

Britain's entry into the Common Market in 1973 is the key to the present changes in the sugar market. Before then the bulk of Britain's sugar came from cane, supplied under the Commonwealth Sugar Agreement. Some two-thirds of market supplies were imported in the form of cane and refined by Tate & Lyle and by Manbre & Garton, with the remainder in the form of beet sugar, grown in Britain and processed by the British Sugar Corporation.

The Government, which held and still holds a large stake in British Sugar and negotiated the prices under the Commonwealth Sugar Agreement, virtually controlled the whole market. Through the Sugar Board it regulated prices and balanced up supplies of cane and beet so that its political commitments under the Commonwealth Sugar Agreement were honoured, UK beet growers were looked after, and imports kept out.

But entry into the Common Market changed all that. Britain made it a condition of entry that it had to retain cane imports from developing countries, dependent on sugar for the bulk of their export earnings. However, this argument could not be sustained in the case of Australia, one of the leading suppliers under the Commonwealth agreement.

So Britain was forced to agree to a cut of some 400,000 tonnes, previously supplied by Australia, in cane imports. The Community took over the responsibility for cane imports and after bringing in some former French colonies, it re-emerged as a protocol under the Lomé Convention under which the EEC guaranteed to take 1.3m tonnes of cane sugar annually from a group of African, Caribbean and Pacific countries, known as the ACP group.

The closure of the Liverpool refinery should make Tate and Lyle considerably more competitive, but it reduces its annual production (in London and Glasgow) to 1.04m tonnes with the refineries working to full capacity. Since Britain takes the bulk (so far nearly 1.2m tonnes) of the annual 1.3m tonnes imports of cane sugar, it has been feared this could mean the Community being unable to honour its commitment to the ACP countries.

The outcome of the cut in Britain's cane refining capacity, accelerated by Tate and Lyle's takeover of Manbre and Garton in 1976, is that British Sugar has emerged as the main supplier of sugar in the UK, accounting for more than 50 per cent of the market.

From being the "poor relation," British Sugar has become market leader with its Silver Spoon brand triumphing over Mr. Cube. It has been aided by the EEC Commission and the British Government, which have both encouraged the expansion of beet sugar production within the Community.

When the UK joined the Common Market the British Government was anxious to ensure that its farming industry received the full benefit of membership and stepped up domestic production in order to help the balance of payments by reducing costly food imports.

Three disastrous years of bad weather in the late 1970s slowed the expansion programme considerably, but during the past two seasons British beet growers have pushed output above 1m tonnes, achieving a record 1.15m in the season just ending.

At the same time British Sugar has used its price advantage ruthlessly to undercut the beleagured Tate & Lyle group and capture an increasing share of total market sales. In the course of this aggressive sales campaign British Sugar has upset the sugar merchants, who still, on paper, distribute the bulk of sugar on the UK market, although the big two — British Sugar and Tate & Lyle — actually undertake the delivery and invoicing.

British Sugar feels this is an absurd anachromism and has sought to widen its direct sales to big consumers triggering off complaints to the European Court by some merchants. The leading merchant, although not a complainant, is S. and W. Berisford and this is the reason that its bid for British Sugar was referred to the Monopolies Commission.

In the meantime, however, British Sugar has apparently changed its mind about the plan to increase its production to 1.25m tonnes, in spite of the fact that its £150m expansion programme has just been completed.

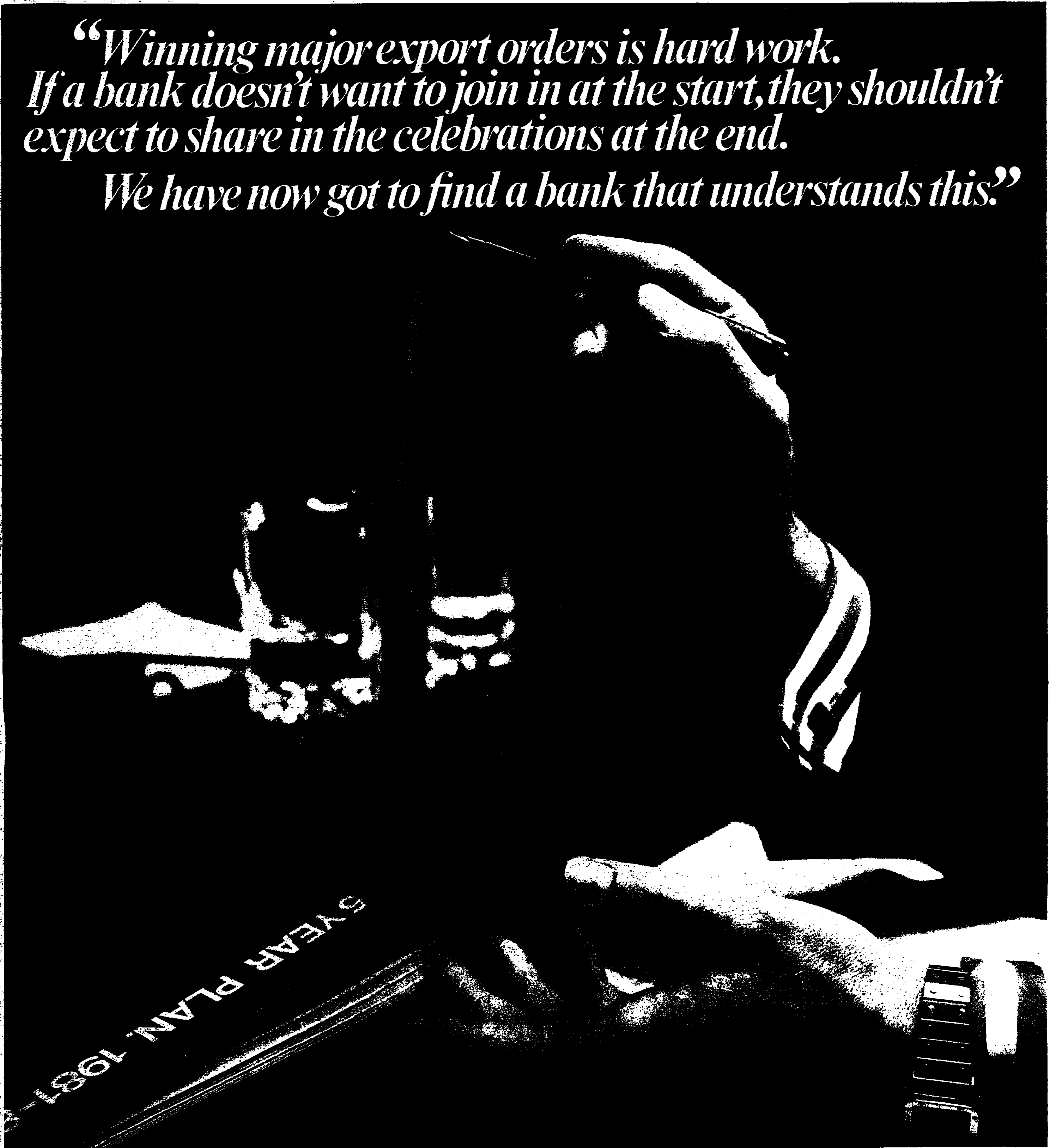
It says the cut in Community beet production, sought by the EEC Commission, means that it will be unable to meet the target. Mr. Peter Walker, the British Minister of Agriculture, has argued that the proposed cut was grossly unfair, being based on unrepresentative years of poor weather.

The Commission has conceded this point, but it is evident that Britain will have to agree to a reduction in its quotas if the Community is to reduce its surplus production in line with the overall policy, backed by the UK, of cutting expenditure on the Common Agriculture Policy.

Mr. Walker has set his objective for British production at 1.15m tonnes and seems likely to get something near that figure.

British Sugar's argument is that if it cannot win a quota of 1.25m tonnes, anything above 1.15m tonnes is wasted capacity. At the same time it admits that getting beet growers to produce more than 1.15m tonnes is a formidable task.

Another factor discouraging a further expansion of British Sugar's production, even if it were possible, is that demand for sugar in Britain has fallen from 2.7m to 2.3m tonnes in the past five years.



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Technical Page

EDITED BY ARTHUR BENNETT AND ALAN CANE

Continuing our series on gate arrays, **Louise Kehoe** reports from California

Silicon valley is stuck on 'electronic glue'

WHILE THE semiconductor industry is generally experiencing a painful downturn in business, one sector of the integrated circuit market—semi-custom logic—is moving from strength to strength.

A group of products known as gate arrays is in increasing demand from computer makers and telecommunications equipment manufacturers. The market is growing at an unprecedented pace, drawing established semiconductor manufacturers into the fray, and giving impetus to a new flock of company start-ups.

Growing market

Gate arrays (also known as uncommitted logic arrays and masterslices) are not new. Several companies, including Ferranti and Plessey in the UK, and Fairchild in the U.S., have been making gate arrays for several years. But the gate array has been born again, due primarily to the blessing of IBM. A year ago, IBM introduced a new processor—the 4300 series—which was designed using gate arrays. Since then, several other large computer makers have followed suit (Amdahl, Control Data, Univac). Today, most mainframe and minicomputer manufacturers are moving towards gate array designs.

Gate arrays are essentially integrated circuits made up of matrices of logic elements. What makes gate arrays special, however, is that the interconnections between the logic elements are left until last. Since it is these interconnections which define what the chip does, they can be custom designed to meet each purchaser's requirements.

For the systems maker who is purchasing the gate arrays, there are several advantages. Design cost is the first. Starting from scratch to design a complex integrated circuit is extremely expensive. But if a systems designer is to keep ahead of the competition, then using a standard integrated circuit, such as a microprocessor, is often not enough. He must add extra performance features. The gate array is the compromise. It offers most of the performance of the custom designed chip, at a fraction of the cost. The exact cost advantage varies from chip to chip, and must be related to the volume of production, but it is of the order of 10 to one.

Another economic advantage of the gate array is the speed with which it can be produced in custom form. Whereas the custom design and debugging of a custom chip takes several months, the customised gate array can be ready in a few weeks. This can be very significant for the systems designer who wants to get his product to market fast.

On the other hand, there are tradeoffs. The gate array can never be as efficient as a custom chip, because the layout of the circuits is not optimised for the particular application. In a typical gate array implementation, only 70 to 80 per cent of the logic gates are actually used. This means that the chip itself is bigger, and slower than a custom IC. In most cases, however, the performance degradation is not significant.

Computer aids

Often, a gate array can be used to replace lots of smaller logic devices. An example might be the host of interface circuits used around a microprocessor. In this case, the gate array is used as "electronic glue" to tidy up all the extra bits and pieces.

Jumping on to the bandwagon, Mr. Wilfred Corrigan, former chief executive officer at Fairchild Camera and Instrument, has just formed a new company, LSI Logic, which will specialise in gate arrays.

Mr. Corrigan says that LSI Logic will start out by selling very high speed bipolar gate arrays to computer makers. He is currently in the process of setting up a manufacturing facility in the U.S., and gathering a team of engineers. Plans for LSI Logic include a UK manufacturing facility to supply the European telecommunications industry, Corrigan says.

Unlike most semiconductor companies, the gate array maker has relatively low capital equipment costs. Since gate arrays are made in small numbers (compared to standard ICs) production equipment can be kept to a minimum. And, for the present at least, there is plenty of spare semiconductor production capacity available at the hard-pressed main stream semiconductor manufacturers, which can be turned to one-off production runs of gate arrays. The only essential then for a start-up company, is a group of designers and a powerful computer-aided design system.

Already there are more than 20 semiconductor companies supplying the gate array market, and that number is expected to grow over the next couple of years. Analysts put the current size of the market at around U.S.$40m to U.S.$50m. This excludes the so-called captive market of systems makers who make their own chips.

By 1985 the market is expected to grow to more than U.S.$500m. CMOS gate arrays will be the fastest growing portion of the market, says HTE Management Resources, a consulting firm which has just published a report on the market. The firm's initial market estimates peg this sector alone at U.S.$29m with projected growth to U.S.$300m by 1984.

(Semicustom IC Report: A strategic review of the Industry. Available for U.S.$255.00 on an annual subscription basis from HTE Management Resources, P.O. Box 60276, Sunnyvale, Calif. 94086.)

Computer and key issue terminal at hotel reception desk.

Computer as key to the hotel room door

A SYSTEM of computer-controlled hotel room security that does away with conventional mechanical keys and locks has been developed by A.R.C., Shakespeare Industrial Estate, Watford WD2 (92 44300). The keys, of plastic/resin, are read electronically by Intel microprocessors fitted into the bedroom doors, while the distribution of keys to guests is controlled by means of a DEC Type VT103 computer with vdu and separate keyboard and an A.R.C. issuing terminal at the reception desk.

Hotel staff using the system, known as Guestkey, for room-cleaning, bed-making and so on have to be identified by a personal key and a password, and all keys issued to them during their shift are logged by the system to enable the management to carry out spot security checks.

If a guest forgets to hand in his key before leaving there is no security risk, say A.R.C. Each key has to be "married" to the correct door system when it is issued to the guest and the electronic lock combination can be changed whenever necessary. The cost of the system, including the computer and print-out equipment, can be as low as £160 per room depending on the size of the installation, A.R.C. claims.

Giving the chassis a sporting chance against corrosion

THE DE LOREAN sports car, production of which has now started at a 70-acre site in west Belfast, incorporates a new approach to the protection of the chassis against corrosion:

The GKN-supplied backbone chassis is coated with a high grade, fusion bonded epoxy powder claimed by De Lorean to be "virtually invulnerable."

The process is carried out by Plastic Coatings of Winsford, Cheshire. It involves grit blasting the mild steel chassis surface, which is then heated before being dipped into a fluidised bed of epoxy powder. After curing, the chassis is reading for the assembly line.

According to Mr. Jim Taylor, commercial manager (automotive industries) of Plastic Coatings, "this is the first time, to our knowledge, that a high grade epoxy has been used successfully for protecting a car chassis in mass production"—in De Lorean's case, targeted annual volume of 30,000 cars.

The coating is claimed to improve the chassis life considerably by providing protection against corrosives encountered in driving, such as road salt, as well as being resistant to chippings.

It marks the end of a long search by De Lorean for a way of extending the life of the most vulnerable component of its glass reinforced plastic body-shelled, stainless steel-panelled machine, in line with John De Lorean's concept of an "ethical" sports car—one which would last for at least 15 years.

De Lorean explored a number avenues: stainless steel, which was too expensive, and galvanised mild steel — rejected because of fears about changes in the mild steel during the galvanising process and the loss of corrosion protection in the case of the chassis being repair welded.

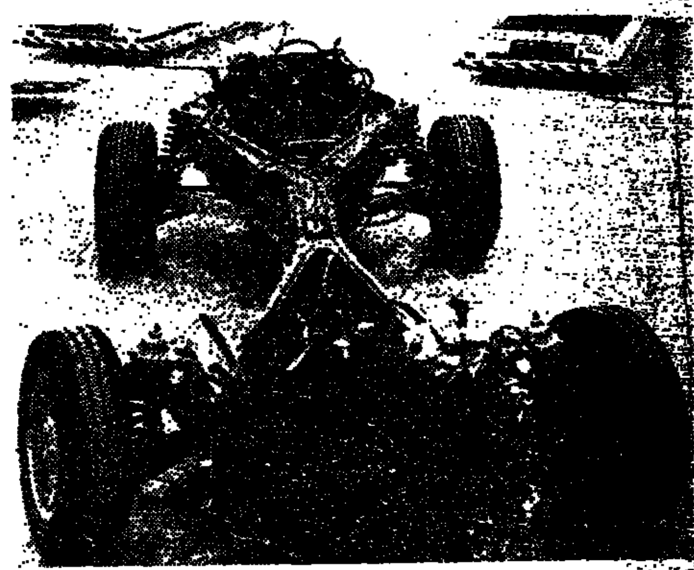
Originally, however, De Lorean had planned to take a rather more radical route, employing a process developed by De Lorean's Composite Technology subsidiary in the U.S. called ERM (elastomeric reservoir moulding).

This involves the compression and heating of a composite structure comprising layers of fibre glass as a reinforcing material, overlaying one or more open sheets of flexible, open-cell, elastomeric foam impregnated with a liquid resin. The properties of the composites produced can be changed significantly to meet differing needs by varying the proportions of the individual materials, temperature and degree of compression.

It was considered that the use of this material would provide enough strength to dispose of the chassis altogether.

However, while some smaller components of the De Lorean are made with ERM, the process still requires further development to make it cost-competitive. It is expected to be used in De Lorean cars now being planned, but in the meantime De Lorean has settled for the plastic-coated chassis and a glass-fibre-reinforced plastic body using Lotus Cars' VARI (vacuum-assisted reservoir injection) process adapted to meet De Lorean's higher volumes.

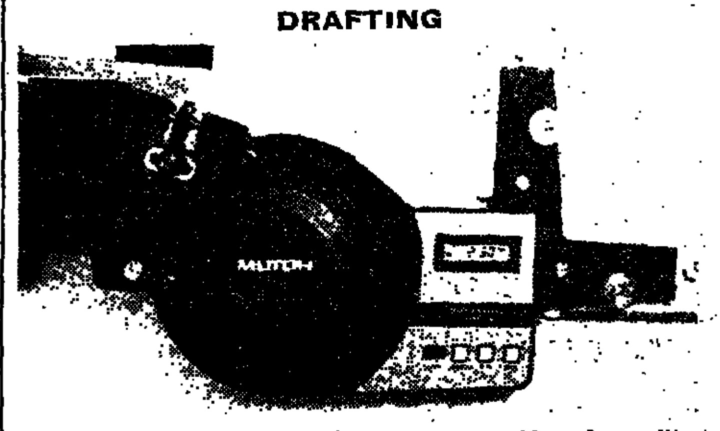
JOHN GRIFFITHS



The plastic-coated body of the De Lorean sports car.

NEWS IN BRIEF

DRAFTING



A DRAFTING machine which combines a digital angle LCD protractor head with what is claimed to be a unique system of magnetic track movements is the latest addition to the Japanese-made Mutoh range of professional drafting machines marketed in Britain by AM Admel, the engineering graphics division of AM Bruning, Brooklands Road, Weybridge, Surrey (0932 47212).

The simple act of reading the LCD numbers, instead of peering at lines on the protractor scale, is claimed to reduce eye fatigue and make angle-setting errors almost impossible. Another unique feature of the RXG, says Admel, is the system of magnetically-suspended horizontal tracks and vertical rail.

Since there are no rollers or other mechanical devices in contact with the drawing board there is no friction, and it is claimed that much less effort is required to move about the board than is the case with conventional machines.

The LCD is powered by four 1.3v batteries, operating in parallel, mounted in the drafting head. The machine also provides the ability to read down to five minutes, a reset button for baseline shifts, a memory capable of recalling previous base line angles, and a warning device for battery replacement.

HANDLING

EQUIPMENT devised to release pallets singly on to a conveyor line has been introduced by Crosshall Engineering, Marlborough Street, Liverpool (051-236 0724).

The equipment is installed over the conveyor and loaded with 12 or more pallets by fork lift truck through pneumatically-operated gates. The stack of pallets is squared-up by pneumatic rams and individual pallets are released on to the conveyor following an appropriate signal. A further pallet cannot be released until the previous one has cleared the de-stacking equipment.

NOTICE OF REDEMPTION

To the Holders of

Queensland Alumina Finance N.V.

9% Collateral Trust Bonds Due 1982

NOTICE IS HEREBY GIVEN that pursuant to the provisions of the Queensland Alumina Finance N.V. Collateral Trust Indenture dated as of April 1, 1970, U.S. $3,000,000, principal amount of the above described Bonds have been selected for redemption on April 1, 1981, in lieu of a redemption for the purpose of the Sinking Fund, at the principal amount thereof, together with accrued interest to said date, each in the denomination of $1,000 bearing serial numbers with the prefix letter "M" as follows:

Outstanding Bonds bearing serial numbers ending in any of the following two digits:

01 05 06 11 15 22 28 31 32 33 37 41 43 47 52 53 57 63 65 66 75 80 81 86 98 99

Also Bonds bearing the following serial numbers:

1	339	2639	3539	4339	5139	5539	5939	7039	9039	10739	13439	14539	15439	15939	17539	19139	
6	539	2839	3939	4539	5239	5839	6039	8639	10339	12039	14239	14739	15639	17139	18739	19339	

On April 1, 1981, the Bonds designated above will become due and payable in such coin or currency of the United States of America as at the time of payment shall be legal tender for public and private debts. Said Bonds will be paid, upon presentation and surrender thereof with all coupons appertaining thereto maturing after the redemption date, at the option of the holder either (a) at the corporate trust office of **Morgan Guaranty Trust Company of New York, 30 West Broadway, New York, New York 10015,** or (b) subject to applicable laws and regulations, at the main offices of Morgan *Guaranty Trust Company of New York in Brussels*, Frankfurt (Main), London or Paris or at the main offices of Bank Mees & Hope NV in Amsterdam or Banque Internationale à Luxembourg S.A. in Luxembourg. Payments at the offices referred to in (b) above will be made by check drawn on, or by a transfer to a U.S. dollar account maintained by the payee with, a bank in New York City.

Coupons due April 1, 1981, should be detached and collected in the usual manner.

On and after April 1, 1981, interest shall cease to accrue on the Bonds herein designated for redemption.

QUEENSLAND ALUMINA FINANCE N.V.
By WILLIAM HOBBS, *Managing Director*

Dated: February 17, 1981

NOTICE

The following Bonds of U.S. $1,000 each previously called for redemption have not as yet been presented for payment:

M535	1525	1646	2430	2721	4355	4385	4519	4713	5700	6680	8685	11713	12846	18273	18488	19619
1055	1644	1650	2438	3970	4356	4387	4521	4721	5750	7445	9321	11714	13961	18285	19165	
1521	1645	2425	2640	4335	4371	4518	4535	5671	5761	7690	9561	12844	18213	18444	19617	

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UK NEWS—LABOUR

Robin Reeves reports on action to stop pit closures

Miners 'fight for Wales'

ANGER AT the National Coal Board's closure plans, which bear particularly hard on Wales, *boiled over* at a conference of about 300 delegates from all parts of the South Wales coalfield in Bridgend yesterday morning.

After a meeting lasting 20 minutes only, and lobbied by dozens of miners from threatened pits, the delegates issued a *unanimous call for an all-out* stoppage from this morning.

By last night, the stoppage was already under way at five South Wales *collieries*. Miners at Cwm, Garw and Mardy collieries walked out on hearing the strike call, joining men from Coegnant and Brynlliw, two threatened pits, who stopped work yesterday morning.

Mr. Emlyn Williams, the Welsh miners' president, described *the decision as a fight* for survival over a far more emotional issue than that the miners faced in the 1972 and 1974 strikes.

"I will not predict what Mrs. Thatcher will do but we are prepared to fight rather than accept the evil of unemployment for ourselves and our children. If the miners are defeated Wales will be defeated and we shall become a de-industrialised nation."

The strike would go on "until the threat of closures in Wales and all other parts of Britain is *withdrawn*," *he said*. They would not be influenced by Government moves to enhance redundancy payments. This was "fool's gold" which would be refused by the miners. They had seen what had happened in the steel industry.

Mr. Williams dismissed suggestions *that all miners might* not respond to the strike call, as happened a year ago. "I am 100 per cent confident they will respond to the last man," he said.

An all-out stoppage had originally been planned for next Monday but was being brought *forward because of the mood* of deep anger and fear of anarchy in the coalfield.

Last Friday's NCB announcement that five of the 36 South Wales pits must close as soon as possible, with the loss of 2,800 jobs, had already triggered strike action at two threatened collieries, Coegnant, near Maesteg, Mid-Glamorgan, and Brynlliw, near Swansea. Dozens of miners from both *pits lobbied yesterday's* conference.

Mr. Nicholas Edwards, Secretary of State for Wales, immediately condemned the action. Any strike would damage industrial recovery and discourage foreign investment, he said.

Mr. Phillip Weekes, the *NCB's South Wales director who* detailed the closures to miners' leaders last Friday, said he could understand the anger and *frustration*. But the strike was a great personal disappointment and sadness to him and would not do anyone any good.

Mr. George Wright, the Wales TUC general secretary who atended yesterday's strike conference, said the stoppage would have the solid support of all other unions in Wales. He was reporting the mood of the meeting to Mr. Len Murray, the British TUC general secretary.

The Welsh miners' leader made no secret of his hope that the South Wales action would quickly develop into a national strike. That way the issue could be settled quickly, he said.

They would be asking the mineworkers' union national executive on Thursday not to *delay any longer but ot call out* the rest of the British coalfields.

"We are the area that has had the axe. Other areas will be picked off if we are defeated," he said.

Mr. Williams said picketing would be extensive. But he refused to disclose details, except to *say that the first target* would be to stop the moveent of all coal in the region. Thereafter the miners would ensure *the aged* and sick, and hospitals and scholos, received adequate supplies.

He stressed that the National Union of Railwaymen had already pledged its full support, and that backing was being sought from the Transport and General Workers Union and *other unions*.

Meanwhile, safety cover will be maintainedl at the strike-bound pits to guard against flooding. It ils also the intention of the Welsh miners to call on colleagues in the open-cast mining industry, most of whom come under the Transport and General Workers' Union, to join the stoppage. This is in contrast to 1972 and 1974 when they worked on, though the mined coal was stockpiled.

Merchant Navy officer union turns down offer

By Pauline Clark, Labour Staff

BRITISH shipowners were confronted yesterday with further problems over pay when union *leaders of 36,000* officers and cadets rejected a 12 per cent pay offer only days after ratings had ended more than a month of industrial action over a similar offer.

The Merchant Navy and Airline Officers' Association, one of the leading unions representing ships' officers, described as "totally unacceptable" an offer of either a 12 per cent straight increase in earnings to officers or 10 per cent plus an extra five days' leave backdated to November 1. Cadets were offered a 10 per cent rise.

The National Union of Sea*men has also rejected* 12 per cent because it wants more money to finance an improvement in overtime rates. But last week it agreed to accept the offer as an interim payment while arbitration on its claim takes place.

The General Council of British *Shipping, which has previously* offered 10.5 per cent, told the officers' unions yesterday that the industry could not afford to *improve the offer*.

Union leaders may consider delaying a decision on their next move, however, until the results of arbitration on the seamen's claim, which may not be available for a few weeks.

The officers' unions are still smarting from their experience of last year's pay round when their members received only a 17.5 per cent rise (19.5 per cent with improved leave) compared with the 24 *per cent deal for* ratings.

Salaries for Merchant Navy officers at present range from *£6,000 a year for a junior* engineer to £20,000 a year for a senior Master. Average earnings are put at £10,600 for chief officers, £14,250 for Masters, £6,000 for junior engineers, and £8,300 for Second Officers.

Minimum leave entitlement at present is 127 days a year or one day off for every two days at sea.

Unions indicated that the minimum they would consider would be 12 per cent, plus five days' more leave, which shipowners cost at around 14 per cent.

This is also similar to the level of increase many shipping companies would have to pay their ratings if the NUS's claim *for overtime at time-and-a-half* were conceded.

BL gives notice to 200 white-collar staff

BY OUR LABOUR STAFF

BL CARS yesterday sent out notices of compulsory redundancy to about 200 of its white-collar staff. Clerical, computer and other staff are taking industrial sanctions

Notices were sent out to employees in 12 plants, though none were sent to staff at either Cowley or Longbridge. BL is hoping for more white-collar voluntary redundancies to bring the total, presently 3,350 up to its target of 4,250.

The company considers that more voluntary redundancies are only likely in the larger plants such as Longbridge and Cowley, which is why they were specifically excluded from receiving notices.

The notices were sent to plants where the number of volunteers has all but completely dried up.

BL said yesterday that the sanctions being imposed by the white-collar unions, which include an overtime ban, a refusal to cover for vacancies caused by redundancy and a refusal to handle outside work, *were not so far having any* effect on production.

NALGO may disrupt doctors' pay

WIDESPREAD DISRUPTION in the Health Service, including the possibility of stopping wages to doctors and *dentists* and payment of prescription charges to pharmacists, was threatened yesterday by the *National and Local Government* Officers Association (NALGO).

NALGO said this action would be considered at a meeting on Thursday of the union's national health committee if a meeting with management today did not bring a settlement *of the dispute involving the* 1,800 NHS computer staff.

Creche facilities dispute hits Granada Television

BY OUR LABOUR STAFF

PROGRAMME PLANNING at the Granada Television company's offices in London was seriously disrupted yesterday as more than 70 senior executives took part in what is believed to be the first official strike in Britain over creche facilities for working parents.

The one-day stoppage, called by the Association of Cinematograph, Television and Allied Technicians, was joined by the company's producers, directors and researchers in London who were backed by a protest demonstration by colleagues working in *Granada's Manchester studio.*

It delayed work on some of the company's prestige programe including *World in Action* and *University Challenge* but did not affect transmissions.

The strikers were protesting at *the company's decision* to withdraw creche facilities for staff with children under school age.

The company decided to discontinue its financial support for places at a creche shared with other TV companies and the TUC because of lack of demand.

Mr. Simon Aubrey, ACTT shop steward, said staff were angry that the company had made the decision on a commercial basis rather than on the needs of its staff.

Only one child had taken up a place at the creche at a cost *of £156* a month but the union blamed this on delays in making the facilities available. The parents of five children who *originally wanted the places in* 1977 had since been transferred to other jobs. The one child who used the facility recently *reached school age*.

APEX chief resigns Talbot post

MR ROY GRANTHAM, general secretary of the Association of Professional, Executive, Clerical and Computer staff (APEX), resigned yesterday from the board of Talbot UK as one of its two Government - appointed representatives.

Mr. Grantham, who was appointed by *the last Labour* Government, said in a long letter to Sir Keith Joseph, Industry Secretary, that he could no longer serve as a representative "because the policies of the Government do not serve the national interest in their impact on manufacturing industry."

In the letter, which follows the announcement that Talbot Linwood plant in Scotland will close, Mr. Grantham *said* factors outside the Government's and the company's control had seriously damaged Talbot.

Shipyard picket to continue

A DECISION to end a 2½-year picket at a Birkenhead ship repair yard was reversed yesterday when about 40 men *decided to continue a fight to* try to get their jobs back at the Western Ship Repair Yard which closed with the loss of 625 jobs in July, 1978, because of lack of orders.

Members of the General and Municipal Workers' Union said yesterday they had been guaranteed support from union officials. They understood there was still a chance of the yard, owned by the Laird Group, being *sold* and re-opened.

Ten weeks ago non-union truck drivers ignored the picket line and took out equipment *until the yard was almost* cleared. Then Transport and General Workers' Union drivers began crossing the line and it seemed the fight was over.

Warning on Dunlop jobs

THE GENERAL and Municipal Workers union has requested a national level meeting with Mr. Alan Lord, *former economics* adviser to the Labour Government and now managing director of Dunlop, over plans to cut more jobs in the company.

Mr. David Warburton, GMWU national industrial officer said yesterday that the company "refused to negotiate locally and they *seek to slash jobs and* expect those who remain to work an extra two and a half hours a week.

"Dunlop has a choice. They either meet with us and negotiate or we will have to take alternative action. This reaction *will shock Dunlop because the* GMWU is the biggest union in the company."

Mr. Warburton said he had *already contacted other unions*

Tory wets dampen the flame of monetarism

By John Hunt

WITH A thin programme of business in the Commons yesterday, the Government seemed to be enjoying a brief respite from its current difficulties. There were no embarrassing statements on BL or British Steel, and rather surprisingly the Labour Party did not even seize the opportunity to create a fuss about the rapidly worsening dispute over pit closures.

This quiet interlude was, however, filled by some fascinating speeches and interventions from the newly emboldened Tory wets. After all, what have they to fear now that Lord Thorneycroft, Party chairman, has confessed that some people see him as a case of "rising damp?"

The first signs of dampness came yesterday during questions to Mr. Neil Marten, Minister for Overseas Development, who admitted that Britain's aid programme for last year would turn out to be substantially down on 1979.

This seemed to upset some Tory backbenchers almost as much as the Opposition. Mr. Toby Jessel, (C., Twickenham) complained that African countries were receiving a disproportionate amount of aid compared to the Asians, while Mr. John Farr (C., Harborough) wanted an undertaking that no economies would be made in aid to Zimbabwe.

This was too much for Mr. Nick Budgen (C., Wolverhampton South-West) who still does his best to keep alight the flame of monetarism. After the Minister had explained that Britain was providing £80m for drinking water projects, Mr. Budgen tartly observed that we should cease dumping food on Third World countries as this only handicapped their own producers and prevented them providing their own sanitation and water.

The House then moved on to consider a Private members' motion from Mr. Robin Squire (C., Hornchurch) which urged local authorities to make "appropriate provision" for adult education. Now if there is one thing that annoys the free market philosopher it is a call for spending more cash on night classes. On the monetarist hit list it ranks just below nursery education and creches for working wives as a prime target for cuts.

Mr. Squire saw adult education as part of a civilised society and lamented the fact that local authority spending on it had dropped from £52m in 1975-76 to £39m for the present year with a further cut of £5m next year.

Mr. William Shelton (C Streatham) broadly supported him but seemed to be concerned that there might be an element of ratepayers' subsidy of his wife's sewing classes. He felt these would hardly qualify for increased spending in the present stringent economic climate.

Labour MPs eagerly offered Mr. Shelton their advice and managed to bury this simple matter under layers of dialectical argument. Mr. Clive Soley (Lab. Hammersmith N.) pointed out that if you increased the fees the porer pupils would drop out but would still be supporting the richer ones through the rates. Mr. Gwilym Roberts (Lab. Cannock) argued that in the end everyone's sewing class would be threatened.

By this stage a cosy consensus had settled over the debate and there was more than a whiff of that exotic new perfume, social democracy. Mr. Alan Beith, for the Liberals, warmly congratulated Mr. Squire on his speech and assured him that it had the assent of all sides of the House.

Times sale highlights referral worry

BY IVOR OWEN

MR. JOHN BIFFEN, Trade Secretary, acknowledged in the Commons yesterday that there is cause for concern that the parties to a controversial sale can lay down a timetable which effectively prevents an investigation by the Monopolies and Mergers Commission.

He was replying to questions about the events leading to Mr. Rupert Murdoch's acquisition last week of The Times, the Sunday Times, and their associated titles from the Thomson Organisation.

Mr. Peter Bottomley (C., Woolwich) who voted against the Government at the end of last month when the Opposition forced an emergency debate on the sale, took the initiative in raising the matter.

He contended that one of the basic issues highlighted by the sale of Times Newspapers was that of a would-be buyer and would-be seller setting conditions which made it impossible for the Commission to report on the deal in a reasonable time.

Mr. Biffen accepted that Mr. Bottomley had properly identified "what had been a disturbing aspect of this whole episode."

He added: "Whether we can adjust our legislation to overcome that difficulty I do not know. I do not want to make any encouraging comments from this despatch box."

Mr. Biffen said he had received a number of representations about his decision to consent to the transfer of The Times and The Sunday Times, without a reference to the Commission.


Biffen: acknowledged there was cause for concern


Smith: queried sanctions on editorial integrity

He then revealed that, in view of the continuing interest in the matter, he had taken the unusual step of making available to MPs a memorandum setting out the material on which he reached his decision.

Mr. John Smith, Labour's shadow Trade Secretary, stressed that the decision not to refer the sale to the Commission rested very much on Mr. Biffen's own shoulders.

He spoke of the "so-called guarantees" on editorial independence and integrity given by the new proprietor of Times Newspapers and asked what sanctions were available to the Minister to ensure that they were observed in the future.

Mr. Biffen explained that two of the conditions required changes in the articles of association of the companies concerned to safeguard the position of the independent national directors and to preserve editorial independence.

The enforcement of these conditions would lie essentially with the "B" shareholders of Times Newspapers and the independent directors.

Mr. Biffen emphasised: "Any breach of the remaining conditions would be subject to criminal sanctions laid down under the Fair Trading Act 1973."

Mr. Jonathan Aitken (C., Thanet East) asked, amid laughter: "Since we are now dealing with a fait accompli would you not agree that we could all well wish Mr. Murdoch and the new management of Times Newspapers good luck, because they are certainly going to need it."

To further laughter, Mr. Biffen answered: "I think that was underhand bowling up to the best Australian standards."

● Mrs. Sally Oppenheim, Minister for Consumer Affairs, told MPs that the bid by Associated Newspapers to obtain full control of the Bristol Evening Post and the Western Daily Press could not be referred to the Monopolies and Mergers Commission under the newspaper merger provisions or the Fair Trading Act.

This was because Associated Newspapers already owned 60 per cent of the shares of the parent company which was tantamount to being in control of it.

Lex, Back Page

Biffen hint on U.S. energy price changes

BY IVOR OWEN

FURTHER DEVELOPMENTS which could assist British companies hit by unfair competition from U.S. manufacturers who benefit from subsidised energy prices were foreshadowed by Mr. John Biffen, Trade Secretary, in the Commons yesterday.

He recalled that the U.S. Government was already deregulating oil prices and said he hoped this process would be extended to natural gas.

Mr. Biffen emphasised: "I understand that negotiations are already at the point of fruition —indeed we may have information tomorrow."

Labour MPs, who drew attention to the demonstration against unfair competition mounted in London yesterday by textile workers, pressed for more effective Government action.

Mr. John Smith, Labour's Shadow Trade Minister, called for more concerted efforts to keep up pressure on the EEC Commission. He described the Commission as "past masters" at putting these matters aside from month to month.

Mr. Biffen acknowledged the widespread concern over the extent of import penetration and the number of jobs lost in the textile industry.

Foreign aid sinks to lowest level since 1966

By David Tonge

BRITISH foreign aid last year fell to its lowest level in relation to Gross National Product (GNP) since the Overseas Development Ministry, now the Overseas Development Administration, was formed in 1966.

ODA officials indicate that disbursements were about 0.3 per cent of GNP, sharply below the exceptional level of 0.51 per cent of GNP recorded in 1979 and well below the 1979 average of 0.35 per cent for the industrialised members of the Paris-based Organisation for Economic Co-operation and Development.

These developments, which have helped Britain come under attack from other members of the OECD, will fuel other critics of the Government's decision to cut back more on overseas aid than it is cutting elsewhere. PAGE 12—

Three factors help exaggerate the underlying downward trend. First, the 1979 aid figures were inflated by a bunching of delayed disbursements in the first quarter of the year.

Secondly, various aid recipients delayed drawing down on aid programmes last year. Thirdly, problems with the U.S. contribution to the latest replenishment of the International Development Association, the World Bank's soft-loan arm, have delayed the use of Britain's £185m promissory note to the Association.

This last factor had reduced Britain's apparent aid contributions by 0.1 per cent of GNP. If all these factors are taken into account 1979 aid levels come out closer to the 0.45-0.47 per cent levels of 1977 and 1978.

The 1980 figure would be closer to the 0.4 per cent level marked earlier in the decade

Stevas fuels demand for Tories to occupy the middle ground

BY RICHARD EVANS, LOBBY EDITOR

MR. NORMAN ST. JOHN-STEVAS, sacked from the Cabinet by Mrs. Thatcher last month, today adds his voice to demands that the Government should ensure it occupies the centre ground of politics rather than face charges of Right-wing extremism.

The significance of his comments, made in conjunction with the publication of a lecture on conservatism delivered at the Tory conference in the autumn, is that they follow similar remarks last week from Mr. Francis Pym, Leader of the Commons, and Lord Thorneycroft, party chairman.

Together, they show the growing pressures on Mrs. Thatcher to moderate Government policies and their presentation to show that the Tory party is not dogmatic and inflexible.

Mr. St. John-Stevas, MP for Chelmsford and on the Left of the party, warned that even though the Tories traditionally occupy the middle ground this did not now appear to be so to the electors.

"If it did we would not have seen the quite astonishing surge of support for a new centre party as evidenced by a whole series of public opinion polls. Such polls are the beginning, not the end, of the argument but they cannot be ignored: they must be taken seriously.

"The danger facing the Government of being branded as extremist is a real one. If such a view became general it would mean certain electoral disaster and the extinction of all the brave hopes with which the Government came to office."

He was delighted that Lord Thorneycroft had made his bid to stake out the middle ground in politics for conservatism and he intended in the coming months to consolidate that claim in every way he could.

Mr. St. John-Stevas is not expected to become an ostentatious rebel on the back benches but he will clearly be an outspoken critic of monetarism and of an inflexible approach to economic problems.

In his statement he argued for a broader moral and philosophical approach to politics rather than a narrow economic one.

Using the ancient tongue

FINANCIAL TIMES REPORTER

FOR THE first time in its history, parliamentary business was yesterday conducted in a language other than English. The event took place more than 200 miles from Westminster at the Caernarfon headquarters of the Gwynedd county council where the Parliamentary Select Committee on Welsh Affairs began taking evidence in Welsh as part of its investigation into broadcasting in the principality.

Of the eight MPs present, only two—Mr. Geraint Morgan (C., Denbigh) and Dr. Roger Thomas (Lab., Carmarthen)—are fluent in the language. The others made use of the simultaneous translation equipment routinely used by the county council.

The committee chairman Mr. Leo Abse (Lab., Pontypool) said that the proceedings were unique.

Leicester's civilised activists put pressure on Bradley

BY JOE ROGALY

IF THE social democrats cannot win in Leicester they can hardly hope to win England, yet the matter is in some doubt. Even the first necessary step, the renunciation of the Labour Party by its sitting member for Leicester East, Mr. Tom Bradley, is not absolutely certain, for Mr. Bradley has more reason than most to find it difficult to defect, and the Labour Party still nurses lingering hopes of retaining him.

"It would be easy if my constituency party was managed by a load of 'Trots,'" explains Mr. Bradley. "I could then knock hell out of them and feel cleaner for it."

But Leicester East is not the kind of constituency in which extreme Left-wingers would feel comfortable. It is in the very middle of the middle range of Labour seats: half its homes are owner-occupied; just over a third of its workforce is skilled, and some 28 per cent are clerical or professional workers, or shopkeepers. And to the visitor, Leicester East's party workers, whether Left or Right inclined, share a trait that is found in many provincial towns—but in a double dose in Leicester—sheer niceness.

Mr. Bradley, who does not appear to have lost this quality in spite of a lifetime in politics, acknowledge its existence among his past comrades and future opponents in his Leicester East constituency. He met his party officers on the evening of Friday, February 6, and found it "one of the most painful experiences of my life." Those present were "so decent, so reasonable, so civilised."

This is not his only difficulty. Now 55, he joined the Labour Party in 1942, shortly before his 16th birthday. He soon became leader of the "Labour League of Youth," as the Young Socialists were then called. After a year as a railway clerk he was called up as a "Bevin Boy" and spent 2½ years in the pits in a Derbyshire coal mine. His Labour roots run deep. "You can set my pedigree against any accusation of joining a middle-class debating society," he says with some force.

After the war he returned to the railways and at 21 became a member of Labour's parliamentary panel. He fought his first general election at 23, in 1950, and has contested every one since, losing his first four battles but taking his present seat in 1962. He has not yet lost it.

Tom Bradley's parallel service in his sponsoring trade union, the Transport Salaried Staff Association, has been equally steady: he has been its treasurer, president and acting general secretary—and loser in the last election for general secretary.

So both his union and his party are exerting considerable pressure on him to stay. On the party side, it is believed that Denis Healey is trying hard to persuade him to change his mind. There is one further pressure—Mr. Bradley, married with two dependent children, needs his MPs salary. "The railways would be obliged to take me back if I lost the seat," he explains, "but the job I did 20 years ago has vanished."

In spite of these difficulties, Tom Bradley is highly likely to leave the Labour Party for the new Social Democratic party when it is established. He has a close personal relationship with Mr. Roy Jenkins, for whom he served as Parliamentary Private Secretary in 1964-1970, and says he approached his selection committee in 1962 as a Gaitskellite and member of the then campaign for democratic socialism. "I was that then, and am that now."

The process of disillusionment started in 1976, when he was chairman of the Labour Party and, from the chair at its conference, invited Denis Healey to speak. Mr. Healey, then Chancellor, had been recalled from London Airport (he was en route to the U.S.) at a time of crisis for sterling. "He was booed and hissed all the way to the rostrum," recalls Mr. Badley. "It upset me deeply."

If he does resign from Labour, Leicester East will not be an easy seat to win. Of its 60 or so Labour Party officials, perhaps only eight or nine will initially follow him out. One of those would be Mr. Ken Jones, his political agent and a retired child psychologist and former lecturer at the college of education. Another might be Mr. Brian Jones, the local party treasurer and principal scientist at Thorn Lighting, who says: "I support Tome all the way," but adds that he has not yet made his final decision.

Mr. Ken Jones, a long-serving and clearly professional agent, has filing-cabinets with the names of the several thousand people Tom Bradley has helped in his weekly surgery over the past 20 years and can refer to the several hundreds of letters of support received by the putative candidate so far.

But he knows the difficulties. "I wish we'd had the past two years in which to prepare," he says. Then, glancing at the silent colour TV, adds, "anyway, that's where it'll all be decided."

In his own suburb of Evington, Mr. Ken Jones should bring out a good vote for Tom Bradley. It has well-spaced suburban houses in wide streets and curved avenues. Many of Leicester's doctors, dentists, solicitors and architects live there.

"It is one of the two snootiest areas in Leicester," says Mr. Jones: there are only two small council estates within the ward. Down at his nearest pub, Mr. Jones is finding that the same conservative clientèle that previously created a "cordon sanitaire around the Labour man's agent" is now slapping him on the back and offering him drinks, plus help.

Two of the other four wards—Belgrave and Humberstone—would be more difficult. In Belgrave there are some older council houses, a number of the better kind of terraces, and a fairly large private development on the periphery. Over the past decade increasing numbers of better-off Labour working class voters have moved in.

Humberstone has a large council estate, but in the past Mr. Jones has found its inhabitants "too bloody idle to come and vote": it also has many lower-middle class owner occupiers—plumbers, small employers and the like. It has been a National Front stronghold.

The rock-solid Labour wards are Latimer and Charnwood, with their old, sometimes rundown, terraced houses, many owner-occupied, a sprinkling of semis, and some small industry. The big question in Leicester East is how many of the Labour voters in these wards will follow their MP of 20 years' standing to a new party.

The answer is complicated by the fact that perhaps a third of those voters are immigrants, mainly Asian. (The better-off Asians have followed the move to Belgrave and the leafier suburbs.)

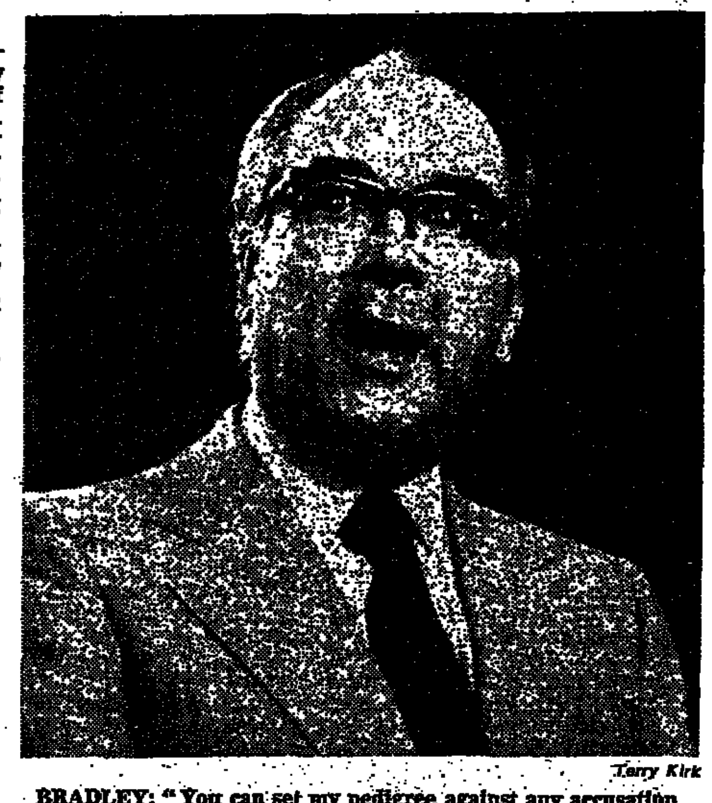
The Asian vote in Leicester has a number of important characteristics—it records a high turn-out, it appears to be fairly homogeneous, and so far it has been solidly Labour.

A survey by the Commission for Racial Equality indicates that in the 1979 election in the neighbouring constituency of South Leicester, Mr. Jim Marshall, the Labour Left candidate, was returned with the aid of no less than 91 per cent of the Asian vote.

The Left-inclined Mr. Mohindar Farma, president of the local branch of the Indian Workers' Association (2,500 members claimed in Leicester), is convinced that his activists can bring out the Asian vote in similar numbers for the official Labour candidate at the next election, in spite of Tom Bradley's years of helping with a variety of immigrants' personal problems.

Other Asian leaders are less certain—Mr. Krishnalal Shah, one of the three Asian councillors in Leicester, has said he is considering quitting Labour and joining the social democrats, while other conservatively-inclined Asian leaders believe they could contribute to the anti-Labour vote.

The calculations are further complicated by a potential boundary change that could bring more traditional Labour voters into Leicester East at the expense of Leicester South.


Terry Kirk

BRADLEY: "You can set my pedigree against any accusation of joining a middle-class debating society."

This might lose that seat for Jim Marshall; if he or another Left-winger were then chosen as the Leicester East candidate, Mr. Bradley's fight would be more clearly political in local terms. Add in Mr. Bradley's deficiencies as a personal publicist—many have heard of Mr. Greville Janner in Leicester West, few of Tom Bradley—and the rustling sound of local Labour councillors waiting to change bandwagons, and prediction becomes impossible.

As for the non-political residents of Leicester East, no brief visit by a correspondent can produce sufficient evidence for an accurate account. But the remark that carried the greatest verisimilitude suggests that the great rift in the Labour Party is still only official-deep: "It's all the same politicians cutting each other up," said a stopped passer-by. "Let them get on with it."

Leicester, East	
Bradley, T. G. (Lab.)	23,844
Conservative	20,983
Liberal	4,623
Nat. Front	1,385
Labour Majority	2,856

THE MANAGEMENT PAGE

EDITED BY CHRISTOPHER LORENZ

Management abstracts

These summaries are condensed from the abstracting journals published by Anbar Management Publications. Licensed copies of the articles may be obtained at £2.50 each (inc. VAT and p+p; cash with order) from Anbar, PO Box 23, Wembley HA9 8DJ.

Is Japanese Management Really so Different? C. McMillan in Business Quarterly (Canada), Autumn 80: p.26 (6 pages, tables).

Argues that Japanese management practice is neither unique nor novel, but simply the application of textbook principles.

Towards a Contingency Theory of Entrepreneurship. J. F. DeCarlo + P. R. Lyons in Journal of Small Business Management (U.S.), Jul 80: p.37 (5½ pages).

Reviews entrepreneurial research, describes how it has focused separately on personality traits, satisfaction levels and managerial skills, and argues that these issues should be linked and related to contingency factors, such as the life cycle of a business, to develop a unified theory of entrepreneurship.

An Approach to Company Survival. G. H. B. Ross + J. L. Goodfellow in Business Quarterly (Canada), Autumn 80: p.19 (7 pages, charts, table).

Argues that sudden collapses of established businesses are rarely triggered off by external events but are the result of a gradual reduction in an organisation's responsiveness to change that may be hidden by apparent success. Lists characteristics of high and low organisational resilience, describes how such resilience can be developed, and suggests how progress can be evaluated by introducing "strategic" accounting methods.

Manpower Training, Manufacturing Organisations and Workplace Relations. A. Sorge and M. Warner in British Journal of Industrial Relations (UK), Nov. 80 p.318 (15 pages, tables).

Compares recruitment and training patterns, particularly in manufacturing industry, between UK and West Germany; examines how union organisation and practice are affected, and traces the influence of such patterns on organisational forms, supervision and management.

Courtship for Joint Ventures. S. V. Berg and P. Friedman in California Management Review (U.S.), Spring 80: p.85 (6½ pages).

Draws on named examples to show why joint ventures can be attractive, how companies go about courtship, how such ventures are organised, and why they are disbanded.

Accounting for Research and Development. P. Joe in The Accountants' Journal (New Zealand), July 80: p.219 (3½ pages).

Sees New Zealand poised on the brink of following the conventional treatment of R. and D., under which expenditure is dealt with as an expense unless it satisfies certain criteria. Argues that the expense/capitalisation decision too often depends on a premature prediction of the outcome of R. and D. spending, and offers an alternative accounting treatment under which all such costs would be held in a contra-equity suspense account until the outcome of the spending was known.

The Effective Committee Chair. J. E. Tropman in Directors and Boards (U.S.), Summer 80: p.27 (7 pages).

Discusses committee roles and rules, aspects of meeting preparation and conduct, and how agendas should be constructed.

Montedison's power struggle for survival

James Buxton assesses the prospects of a recovery strategy for one of Italy's biggest companies

IN THE middle of January Montedison, Italy's second biggest private company, started issuing dismissal notices to 8,000 of its 45,000 chemical workers, only a day or two after the trade unions had been informed. It was the toughest action yet taken in the battle to regain its health by the company that has become a byword for the problems of Italian heavy industry.

Since then Montedison has sustained its hard line against pressure to back down from the Government and trade unions—so far it has yielded little more than a small postponement of the sackings. For there appears to be some acceptance that Montedison's financial and structural problems are so serious that it must not be totally prevented from putting its house in order.

If Montedison succeeds in pushing through its full recovery strategy, of which the dismissals are only a small part, it would be a milestone in the process in which Italy's very big companies are trying to shake off the shackles that brought many of them down in the 1970s. Most of Montedison's problems are due to its entanglement in the political and factional struggles of the 1970s and to the stranglehold on big companies that the trade unions built up during that decade.

Last year the Montedison group, which is the world's *eighth largest chemical producer*, had a turnover of L8,800bn ($9.3bn). But it is expected to record a loss of more than L200bn and has made a pre-tax loss each year except one since 1975. In 1979 its debts totalled L3,995bn and servicing that sum absorbed nearly 10.5 per cent of turnover.

This has meant that on top of the effect on the whole chemical industry of the oil shocks of 1974 and 1979 and of the inroads of cheap imports into the fibres business where Montedison has a major subsidiary, the company has had to go on making do with old or middle aged plant because of its inability to invest in new machinery. It suffers what its chairman, Dr. Mario Schimberni, calls "invarianza" or standstill — a state in which it goes on producing what it has always produced, irrespective of who wants to buy it. This is the state Montedison is try to break out of.

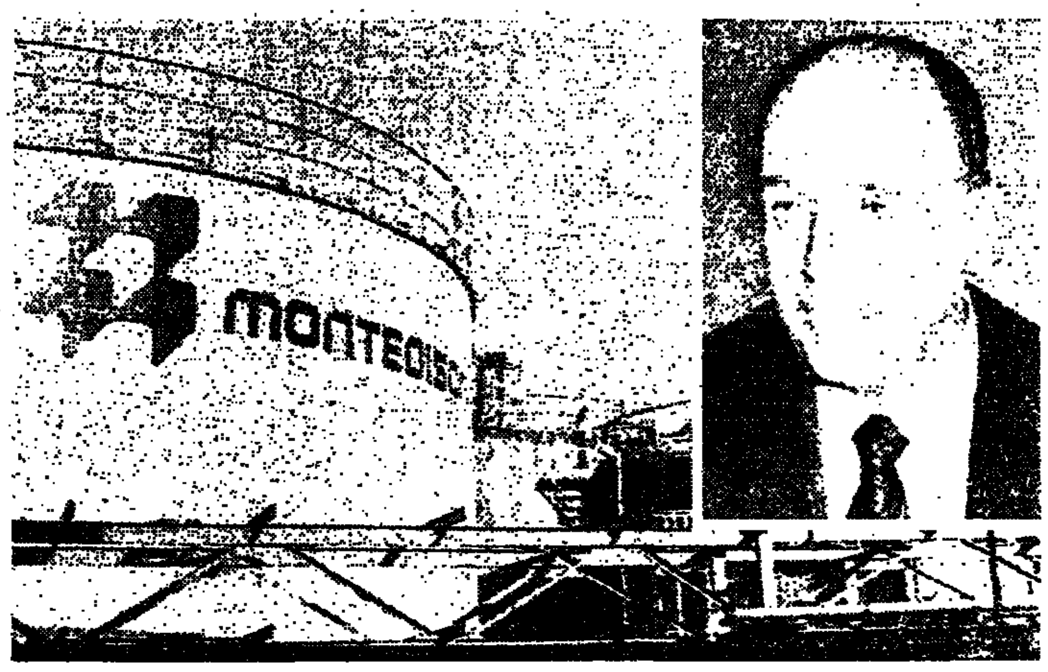
Montedison acquired its name following the takeover in 1966 of Montecatini, a successful chemical business which was started in the late 19th-century by Edison, whose electricity interests had been nationalised in 1962. The merger was the fruit of the industrial strategy of the long ruling Christian Democrats, but Montedison quickly became entrammelled in the power struggles within that party so that investment decisions, particularly affecting the depressed south of the country, were frequently dictated by the need to do political favours rather than by economic criteria. (The politicians were able to keep their grip on Montedison because the two biggest State corporations, IRI, the industrial *holding company, and ENI, the* energy concern, have substantial stakes in it; they still hold almost half the votes on the controlling shareholders' syndicate.)

The Byzantine intrigues intensified under the chairmanship of Dr. Eugenio Cefis, who ran the company not from its headquarters in Milan but from a Palazzo formerly belonging to the Visconti family on the other side of the city. He diversified Montedison away from the chemical industry that it knew best, into financial institutions, banks and newspapers. Meanwhile the unions, fortified by highly favourable legislation in 1970, impeded flexibility in chemicals and kept down productivity.

Truce

Finally in 1977 Dr. Cefis was manoeuvred out of the chairmanship and retired to Switzerland. The political forces declared a truce of sorts and a former Christian Democrat minister, Giuseppe Medici, became chairman. With Dr. Mario Schimberni, who succeeded him last year, as his deputy, he began the programme to revive Montedison. There was a complicated capital raising operation, and the "family jewels"—acquisitions in some of the more peripheral activities—were progressively sold along with the boardroom silver and much real estate. To swing the balance towards private rather than public ownership of the company and bring in new funds a 10 per cent stake was sold to Interedec, a Bahamas-based offshoot of the empire of the Saudi tycoon, Ghaith Pharaon.

The first stage of Montedison's recovery brought in nearly L500bn worth of capital gains which boosted reserves and helped offset losses. The payroll dropped from 135,000 in 1977 to 108,000 at the end of last year. Medici retired, having announced a modest surplus for 1979. But his successor, Dr. Schimberni who, unlike his politically appointed predecessors, has worked his way up through the ranks, sees that there is much more to do. He and his team identify the group's problems as those of a poor management structure, the wrong product mix and the wrong financial mix.



Dr. Mario Schimberni: trying to break Montedison out of a state of what he calls "invarianza"—going on producing what it has always produced

Montedison is said to have good individual managers but it has lacked teamwork and suffered from frequent staff changes. Now it is improving its planning systems and rationalising its structure. The major change, which came into force at the beginning of this year, was the replacement of the old divisions of the parent company's chemical operations by six individual operating companies. The aim is to make the chemical operations more flexible and more responsive to the market. Many other Italian companies have made this change lately, partly because it has certain tax advantages. The parent company, Montedison Spa is now purely a holding company.

Montedison thinks it concentrates too much on producing basic chemicals such as plastics and fertilisers, and not enough on more specialised products with a higher added value such as pharmaceuticals, veterinary products, colorants and specialised plastics. Basic chemicals expose it harshly to the chemical cycle and to oil price rises. They yield relatively little and are at risk to growing competition from outside Europe, including the OPEC countries. When he spoke to shareholders in November, Dr. Schimberni said that basic chemicals had now become mere "commodities."

Montedison does not want to get out of basic chemical production altogether: for example it has 19 per cent of the polypropylene European market—an obvious foundation to build on *especially as it invented the* polypropylene process. On the other hand its share of less than 8 per cent of the European polyethylene market might make this line one to phase out or transfer elsewhere.

MONTEDISON'S COSTLY SALES GROWTH

	1975 L bn	1976 L bn	1977 L bn	1978 L bn	1979 L bn
Sales	3,535	4,815	5,472	5,775	6,833
Profit (loss)	(163)	(172)	(465)	(269)	12
Debts	2,775	3,162	3,726	4,064	3,955

The current strategy is to concentrate on the products in which Montedison already has strength or technical advantage, (research has always been a strong point) and move away from the others. It wants to emphasise marketing—a more aggressive approach to finding and supporting customers—rather than just production. And it also believes that the company must become more international in its orientation and production in order to get larger market shares — a reaction against its emphasis on the home market during the past decade, even though about 35-40 per cent of its turnover comes from exports.

Subsidies

But how can any of these ideas be implemented in the company's current financial position? The ratio of debt to equity is about 70:30—the reverse of what it ought to be—and high debt servicing put Montedison at a sharp disadvantage against its European competitors whose average servicing costs in relation to turnover are less than a third of Montedison's.

Montedison does not want special subsidies from the Italian government in principle, though it would like the government to make a much bigger contribution to research. Instead it is looking for joint ventures with other—mainly foreign—companies. These would be financial schemes involving Italy's sophisticated financial institutions and the sale of some assets—but only where this would result in a constructive reshaping of the company.

Who these foreign partners might be Montedison does not say, but it wants them to enable it to expand in foreign markets and to get richer companies to finance the development of its products. As for the sale of assets, Montedison and the government are in broad agreement on selling to ENEL, the state *electricity concern, the* 22 power stations (mainly hydroelectric) which it still owns, and transferring its offshoot which supplies mains gas to the city of Milan to the local authority—transactions which it is thought would raise about L800bn and knock 4 per cent off debt servicing charges.

More fundamental are ideas for transferring some basic petrochemical manufacturing operations to ANIC, the chemical subsidiary of ENI, and the company's 16m-ton-a-year oil refining capacity to AGIP, the ENI oil subsidiary. This would imply a national scheme whereby, partly for strategic reasons, state companies become the basic petrochemical producers while the private sector handles the high value products. As part of this strategy ANIC's relatively small pharmaceutical interests might be transferred to Montedison. But the company intends to retain Montefibre, its fibres subsidiary, which after years of heavy losses is technically in receivership and awaiting the finalisation of a rescue consortium mounted in the belief that its investment will bear fruit as a shortage of fibres develops in the next few years.

How feasible are these plans? The basic problem is that the big structural changes Montedison wants to make involve the Government and the state corporations, in particular ENI. The Government is not unsympathetic to Montedison's problems but that does not mean it can quickly agree to what Montedison may ask of it. It has yet to finalise a strategy for the whole of the chemical industry, in which ENI has had to take charge of two other bankrupt groups—victims of the mad overexpansion of Italian chemicals in the early 1970s. *And for ENEL, the* electricity concern, to take over Montedison's power plants it would need money—from the Government.

Italian governments appear to have shorter and shorter lives—for example a scheme for the Government to lighten the burden of social security costs on Italian industry died with the fall of the Cossiga government last September and is only now being resuscitated. While governments last they have to satisfy a mass of conflicting political interests in solving problems, which have been aggravated by past inaction—a notable example being the crippling debts of the state corporations.

Montedison hopes it can force the Government to act more quickly. By sacking surplus workers it intends that, as in the case of Fiat last autumn, the Government will take them on to its books under the system of state subsidised layoff. The Fiat workers staged a five week strike, which failed and Fiat has since experienced its highest productivity for years.

That strike is hailed as an industrial turning point. Without having to suffer a major strike Montedison would like to achieve its own turning point—and go on to push the Government into agreeing to the rest of its strategy.

LOMBARD

Chinese puzzle over Mme T

BY DAVID MARSH

The Peking "People's Weekly" recently carried a report from its London correspondent which succinctly reflects one view of Britain being disseminated abroad. In order to bring it before a wider readership, the following translation has been obtained.

London is dull at this time of year. On the face of it, there is little to distinguish this winter from any other, save for the mild weather and the early blooming of the crocuses. Intent on their daily business, the people hurry about the streets in their familiar garb of grey overcoats. Yet beneath the surface, diplomatic observers detect an atmosphere of deep-rooted unease.

Cocktail party

There are clear signs of yet another struggle for power in the upper ranks of the leadership. Evidence of the split emerged with last month's unceremonious sacking and public admonishment of the Culture Minister, one of the more popular members of the regime, following a series of cocktail party indiscretions.

Rumours of an impending show-trial have not yet been confirmed. But other dissident elements, led by several of the Party's longest-serving figures, seem so far to have resisted correction. In otherwise laudatory speeches at Party rallies, some have hinted of doubts over the prevailing economic doctrines.

Uncertainty is growing in particular during the preparations for next month's declaration of new Economic Targets. A cloak of secrecy is, as always, thrown over the interminable round of consultations at the Ministry of Planning, a handsome riverside building equidistant from the city's two main power stations.

The Statistical Bureau has already announced that the first year's targets under the Four Year Financial Plan have been badly missed.

The Party leadership has tried to put much of the blame on to the People's Bank, a secretive institution that specialises in raising money for the activities of the bureaucracy.

The Party itself has however come under bitter criticism from breakaway factions among its own followers. They complain that the money spent on restructuring the State Automobile and Steel Co-operatives would be better put towards increasing the wealth of the entrepreneurial classes and improving the country's nuclear defences against hegemonist elements abroad.

Mme. Thatcher meanwhile appears as stridently self-confident as ever. Some political observers even detect growing attachment to a personality cult. Despite evidence of mounting unpopularity in the disaffected Northern regions, she feels strong enough to make regular public appearances in which the aims and goals of the Party are proclaimed with ever-increasing vigour.

Mme. Thatcher appears openly scornful of the leader of the legalised Opposition, an aged scribe recently brought out of semi-retirement. The rebellious bands of Revolutionary Workers who caused much difficulty for previous regimes also have been quelled for the moment following a series of factory closures instituted by the authorities.

It is, however, no secret that the Party may face a well-organised challenge from a radical splinter group, headed by a young surgeon with strong links to the Continent of Europe, which looks certain to be formed following a purge within Opposition circles.

There are also stirrings of a fresh bid for power from the militant Proletariat Control movement led by a disgruntled renegade from the nobility.

Semi-official

On the foreign policy front, there has been universal popular acclaim for an important speech by the Minister of Planning before the Legislative Assembly last month in which he paid tribute to the wisdom of Chinese monetary policies.

It is impossible, however, to ignore persistent rumours that the Minister may shortly be moved to the position of Superintendent of State Health Farms. The reaction of the semi-official press to next month's planning pronouncements will, as ever, provide a clue to the Party's intentions.

The patience of Japanese management

THERE SEEM to be certain immutable physical laws which apply, universally, to totally different manifestations of nature. From the simple dictum of magnetism which says that unlike poles attract, to the shrewd observation that if you want a dog to follow you, run away from it, there is a commonality to all physical phenomena, however much human beings contrive to confuse it through their behaviour or thinking.

Which is why, no doubt, a packed audience turned up to the Institution of Electrical Engineers in London last week to hear Mr. Akio Morita, chairman and co-founder of Sony Corporation, speak on the subject of "Marketing, Management and Motivation." Nearly all were there to discover some of those immutable laws of nature which Mr. Morita has employed so successfully in his business.

For those wishing to take the instant course: read no further than to the end of this paragraph. Mr. Morita's blend of science and philosophy can be summed up as: education, responsibility, patience, continuity, coherence. The last word is mine, not his, and one of its scientific meanings is the effect of synchronising light frequencies into a unified waveform to produce—in consequence—an intense source of energy: namely the laser beam. An efficient and powerful device indeed.

Now as far as I can remember, Mr. Morita did not mention laser beams. Which is perhaps as well because it is a laser that Philips uses in its optical video disc player (in fact, so too does Sony), and it is Philips most poignantly of all to whom Mr. Morita might well have been addressing his remarks.

Philips has a mighty big battle on its hands in the video business, with its optical player part of the problem. It is due to become available in Britain later this year, with a forecast by Philips that "tens of thousands" of players will be sold by the end of 1981, with annual sales reaching 700,000 by 1986. Meanwhile, however, Philips' much vaunted answer to the Japanese—the V2000 video recorder launched last summer—is still notable for its general absence in the shops due to various technical problems.

Those at Philips responsible for the video disc launch—paradoxically (or is it consequentially?) in the Audio and not the Video Division—have a grim commitment to "get it right" this time. They need to be grim because, despite their two year lead in the U.S., one of their big rivals—RCA—is about to swamp them in this vital market place.

RCA brings its own simpler (and less impressive) video disc player into the shops in the U.S. next month; not in the half-hearted, incoherent way that the Philips player has trickled onto the U.S. market, but in one huge nationwide launch. Some 5,000 retail outlets will have the SelectaVision player of RCA, the result of the biggest investment RCA has ever made in a consumer product (including colour television).

Meanwhile, back in London, the management team behind this do-or-die Philips product is so small and overworked that even getting anyone on the telephone can be a frustrating experience. As if Philips did not have enough troubles, JVC is coming up on the flank (supported by Thorn/EMI) with its rival VHD player (more impressive than SelectaVision, but still no match for the Philips system).

It is about to become a very nasty battle, much more serious than the skirmish between the rival video recorder systems of Philips, Sony and JVC. It is confusing, too, in its alliances. RCA has concluded agreements for its own system to be made or marketed by Zenith, Toshiba, Sanyo, Sears and J. C. Penney. The list supporting JVC's system (not due to be marketed until late 1981 early 1982) is longer, while Philips none the less has some key licensees, such as Trio-Kenwood. Pioneer and even Sanyo which is listed in the RCA camp as well.

The big enigma, however, is Sony—which has been clearly in close co-operation with Philips on optical video discs, has a superb player compatible with the Philips system, and even has opened an optical disc pressing plant in Japan. The enigma exists because Sony claims its support of the optical system relates only to its use as an industrial or commercial product; its plans for the consumer video market come under that Morita management maxim of "patience."

Others might simply call it inscrutability. Or is it really coherence, part of the Japanese plan to get their own house in order (viz. with JVC's VHD) in order to present a united front to the world?

Talking to Mr. Morita last week, I tried to find the answer—if, indeed, he knows it himself ("patience," remember). I failed. Or did I?

In his formal address, Mr. Morita spoke of growing Sony emphasis in industrial and commercial markets to preserve profitability. Which is, of course, its professed priority with the optical video disc. But what could I learn by piecing together gems of the Morita management philosophy, and reapplying them like those immutable laws of nature?

● Education. Sony established itself in the video recorder market first and foremost with its U-matic industrial format. But Mr. Morita tells of Sony's first audio tape recorder, which the public initially regarded as too expensive — until they learned to discover its value. There is little doubt that the U-matic videotape recorder helped a lot in paving the way for the consumer video boom. Perhaps, too, the same with the uniquely versatile optical video disc?

● Continuity. Is it really conceivable that Sony, with a commitment to an optical system for professional users, would choose something quite different for the consumer market? Especially when the boundaries between these two markets are extremely difficult to define, a point I put to Mr. Morita without much response.

What is so exceptional about the optical video disc system is its versatility, performance and longevity (the last word another Moritaism). But these values, perhaps like Sony's first audio recorder, will not be easily perceived by the public when Philips launches its player later this year—because few of the accompanying programmes are conceived to educate the public in the virtues of the product.

So perhaps Mr. Morita is simply being patient. If Philips can't get it right, as it failed with its first videocassette recorder, maybe Sony's industrial player will perform its educational task. Where RCA and JVC will be by that time with their own rival disc systems is difficult to judge—unless those immutable laws of nature conceal some clues (the chrysalis and the butterfly—simple, incapable of future development, short-lived?).

There are other hidden lessons for the video industry in the final words of Mr. Morita's speech. A distinguished friend of his, Mr. Peter Drucker, told him that he found Japanese management unimpressive. So why, asks Mr. Morita, is Japanese business so successful? Well, says Mr. Morita, it is important to keep mouth shut to find out what other man is thinking. And although Japanese management is very slow in making decisions, when a decision is reached—it moves fast, very fast.

FILM AND VIDEO

BY JOHN CHITTOCK

Isle of Man has an easy chance

RACING

BY DOMINIC WIGAN

NO COURSE inspection is planned over today's programme at Newton Abbot where that remarkable old timer, Isle Of Man, will be trying to defy his age and top weight as he sets out to dispose of four opponents in the Corndon Tor Handicap Chase.

The Queen Mother's 14-year-old, who is at least five years the senior of any other member of his owner's team, has not won since defeating Criticism by 2½ lengths in a similar handicap at Windsor 12 months ago.

Nevertheless, he has been retaining his form remarkably well and at Sandown 11 days ago showed that there are races still to be won with him when chasing home Socks in the Park Handicap. Isle Of Man, jumping better than most there, rallied gamely at the last after being headed by the winner and kept his younger Findon opponent at full stretch to the line.

There is no chaser of the calibre of Socks in opposition this afternoon and Isle of Man is unlikely to find any easier chance of returning to the winner's enclosure.

Half an hour before the afternoon's major chase it will be interesting to see whether Jim Old's one-time Daily Express Triumph Hurdle hope, Intinto, can regain winning form in the opening division of the Chinkwell Tor Novices Hurdle. Intinto finished a well beaten third out of 12 horses behind Highway and Come On Taffy in the Challow Hurdle at Newbury.

Intinto had previously beaten Oscar Wilde strictly on merit when conceding that runner-up 5 lbs in a 20-runner event at Lingfield. A return to that form should see Intinto taking care of the Robert Stigwood-owned Chuck's Song.

Isle of Man's highly rated stable companion, Special Cargo, never looked like getting to grips with Braven and Mr. Gumboots in the closing stages of the second division of the Sunbury Novices Chase.

Nevertheless, he was running on well in the closing stages and there will be many surprised racegoers if he cannot make his class tell over the additional six furlongs of the Rippon Tor Novices Chase.

1.45—Intinto
2.15—Isle Of Man***
2.45—Coxmore Sweaters
3.15—Go Gently
3.45—Special Cargo**
4.15—Old Knocker*

TV/Radio

BBC 1

† Indicates programme in black and white

9.05 am For Schools, Colleges. 12.42 pm Regional News for England (except London). 12.45 News. 1.00 Pebble Mill at One. 1.45 Pigeon Street. 2.00 You and Me. 2.14 For Schools, Colleges. 3.20 Pobol y cwm. 3.53 Regional News for England (except London). 3.55 Play School (as BBC2 11.00 am). 4.20 Touché Turtle. 4.25 Jackanory. 4.40 Animal Magic. 5.05 John Craven's Newsround 5.10 Grange Hill. 5.35 The Perishers.

5.40 News.
5.55 Nationwide (London and South East only).
6.20 Nationwide.
6.45 Rolf Harris Cartoon Time (London and South East only).
7.15 Taxi.
7.40 Seapower.
8.10 When the Boat Comes In.
9.00 News.
9.25 Play for Today.
10.35 Omnibus.
11.33 News Headlines.
11.35 Platform One.

All Regions as BBC1 except as follows:

BBC Cymru/Wales — 11.38-12.03 Dechrau Siarad. 5.10-5.40 Bilidowcar. 5.55-6.20 Wales Today. 6.45 Heddiw. 7.10-7.40 Pobol y cwm. 12.05 am News and Weather for Wales.

Scotland—10.38-10.58 am For Schools (Around Scotland). 12.40-12.45 pm The Scottish News. 5.55-6.20 Reporting Scotland. 10.35 Current Account. 11.05 Omnibus. 11.55 News and Weather for Scotland.

Northern Ireland—10.38-10.58 am For Schools (Ulster in Focus). 3.53-3.55 pm Northern Ireland News. 5.55-6.20 Scene Around Six. 6.45-7.15 As I Roved Out. 12.05 am News and Weather for Northern Ireland.

England—5.55-6.20 pm Look East (Norwich); Look North (Leeds); Look North (Newcastle); Look North West (Manchester); Midlands Today (Birmingham); Points West (Bristol); South Today (Southampton); Spotlight South West (Plymouth). 6.45-7.15 East (Norwich)—It's Your Image. Midlands (Birmingham) — Know Your Place; North (Leeds)—Hometown; North East (Newcastle)—Phone In Now; North West (Manchester)—Sit Thi Deawn; South (Southampton)—Support Your Local . . . Theatre; South West (Plymouth)—The Music Quiz; West (Bristol)—RPM.

BBC 2

6.40-7.55 am Open University.
10.00 Business World.
11.00 Play School.
11.25 Speak for Yourself.
2.30 pm Roads to Conflict.
3.00 Propaganda with Facts.
3.30 A Child's Place.
4.50 Open University.
†5.40 Charlie Chaplin in "The Vagabond."
6.15 Maggie.
6.40 Under Sail.
6.55 News Summary.
7.00 The Tuesday Western: "River of No Return" starring Robert Mitchum.
8.30 Russell Harty.
9.00 Pot Black 81.
9.25 Ireland: A Television History.
10.45 Newsnight.

BBC2 Scotland Only—4.20-4.40 pm BZZZ (children's programme).

LONDON

9.30 am Schools Programmes. 12.00 Jamie and the Magic Torch. 12.10 pm Pipkins. 12.30 The Sullivans. 1.00 News, plus FT Index. 1.20 Thames News. 1.30 Crown Court. 2.00 After Noon Plus. 2.45 The Mallens. 3.45 Barney Miller. 4.15 Dr. Snuggles. 4.20 Take a Chance. 4.45 Ace Reports. 5.15 Emmerdale Farm.

5.45 News.
6.00 Thames News.
6.25 Help!
6.35 Crossroads.
7.00 Looks Familiar.
7.30 Bognor.
8.00 Robin's Nest.
8.30 Janet and Company.
9.00 Cover.
10.00 News.
10.30 A Sense of Freedom.
12.15 am Close: "Sit Up and Listen" with Hugo Young.

All IBA Regions as London except at the following times:

ANGLIA

12.30 pm Out Of Town. 1.20 Anglia News. 3.45 Looks Familiar. 6.00 About Anglia. 6.35 Crossroads. 7.00 Life Begins at 40. 12.15 am A Norfolk Parson Visits America.

ATV

12.30 pm Gardening Today. 1.20 ATV News. 3.45 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 ATV News. 6.05 Crossroads. 6.30 ATV Today. 7.00 Emmerdale Farm. 12.10 am ATV News. 12.15 1981 Butlin's Grand Masters Darts Championship.

BORDER

1.20 pm Border News. 3.45 Looks Familiar. 5.15 The Electric Theatre Show. 6.00 Lookaround Tuesday. 7.00 Emmerdale Farm. 12.15 am Border News Summary.

CHANNEL

12.30 pm Gardening Today. 1.20 Channel Lunchtime News, What's On Where and Weather. 3.45 Looks Familiar. 6.00 Channel Report. 6.35 Crossroads. 7.00 The Cuckoo Waltz. 10.28 Channel Late News. 12.10 am Commentaires et Previsions Meteorologiques.

GRAMPIAN

9.25 am First Thing. 12.30 pm Simply Sewing. 1.20 North News. 3.45 Looks Familiar. 6.00 North Tonight. 6.35 Crossroads. 7.00 Welcome to the Ceilidh. 12.15 am North Headlines.

GRANADA

1.20 pm Granada Reports. 5.15 Diff'rent Strokes. 6.00 Granada Reports. 6.25 This Is Your Right. 6.30 Crossroads. 7.00 Emmerdale Farm. 12.15 am After All That, This.

HTV

12.30 pm Play It Again. 1.20 HTV News. 3.45 Looks Familiar. 5.15 Daffy The Commando. 5.20 Crossroads. 6.00 Report West. 6.30 Definition. 7.00 Emmerdale Farm. 7.30 Bognor. 10.28 HTV News.

HTV CYMRU/WALES—As HTV West except: 9.47-10.02 am Wales and the Sea. 10.48-11.03 Believe It Or Not 12.00 Poli a Pili. 12.05-12.10 pm Calimero. 4.15-4.45 Gwesty Gwirion. 6.00 Y Dydd. 6.15-6.30 Report Wales. 10.30-11.00 Mae'r Gelyn Oddi Mewn. 11.00-12.45 am A Sense of Freedom.

SCOTTISH

12.30 pm Gardening Today. 1.20 News Headlines and road and weather Pet Subject. 5.20 Crossroads. 6.00 Tales of Crime. 5.20 Crossroads. 6.00 Scotland Today. 6.20 Job Spot. 6.30 What's Your Problem? 7.00 Emmerdale Farm. 12.15 am Late Call.

SOUTHERN

1.20 pm Southern News. 3.45 Looks Familiar. 5.15 Betty Boop. 5.20 Crossroads. 6.00 Day by Day. 7.00 Emmerdale Farm.

TYNE TEES

9.20 am The Good Word. 9.25 North East News. 1.20 pm North East News and Lookaround. 3.45 Looks Familiar. 5.15 Diff'rent Strokes. 6.00 North East News. 6.02 Crossroads. 6.25 Northern Line. 7.00 Emmerdale Farm. 10.30 North East News. 12.15 am Never The Same Again.

ULSTER

1.20 pm Lunchtime. 3.45 Looks Familiar. 4.13 Ulster News. 5.15 Cartoon Time. 5.20 Crossroads. 6.00 Good Evening Ulster. 7.00 Emmerdale Farm. 10.29 Ulster weather. 12.15 am Bedtime.

WESTWARD

12.27 pm Gus Honeybun's Birthdays. 12.30 Gardening Today. 1.20 Westward News Headlines. 3.45 Looks Familiar. 6.00 Westward Diary. 6.35 Crossroads. 7.00 The Cuckoo Waltz. 10.31 Westward Late News. 12.10 am Faith for Life. 12.15 West Country weather, shipping forecast.

YORKSHIRE

12.30 pm Looks Familiar. 1.20 Calendar News. 3.45 Calendar Tuesday. 5.15 In Loving Memory. 6.00 Calendar (Emley Moor and Belmont editions). 6.35 Crossroads. 7.00 Emmerdale Farm.

Radio Wavelengths

1 1053kHz/285m 1089kHz/275m
2 693kHz/433m 909kHz/330m & 88-91vhf stereo
3 1215kHz/247m & 90-92.5vhf stereo
4 200kHz/1500m & 92.95vhf

BBC Radio London: 1458kHz, 206m & 94.9vhf
Capital Radio: 1548kHz, 194m & 95.8vhf
London Broadcasting: 1151kHz, 261m & 97.3vhf

RADIO 1

(S) Stereophonic broadcast
‡Medium wave

5.00 am As Radio 2. 7.00 Mike Read. 9.00 Simon Bates. 11.00 Andy Peebles. 12.30 pm Newsbeat. 12.45 Paul Burnett. 2.30 Dave Lee Travis. 4.30 Steve Wright. 7.00 Talkabout. 8.00 Richard Skinner. 10.00-12.00 John Peel (S).

VHF Radios 1 and 2—5.00 am With Radio 2. 9.00 The Songwriters (S). 9.55 Sports Desk. 10.00 With Radio 1. 12.00-5.00 am With Radio 2.

RADIO 2

5.00 am Bob Kilbey (S). 7.30 Terry Wogan (S). 10.00 Jimmy Young (S). 12.00 David Hamilton (S). 2.00 pm Ed Stewart's Request Show (S). 4.00 Much More Music with David Symonds (S). 6.03 John Dunn (S). 8.00 The Leading Ladies (S). 9.00 Cricket: First Test (West Indies v England). 9.30 The Songwriters (S) (joins vhf). 9.55 Sports Desk. 10.00 The Law Game. 10.30 Funny You Should Ask. 11.00 Brian Matthew with Round Midnight, including 12.00 News. 2.00-5.00 am You and the Night and the Music (S).

RADIO 3

6.55 am Weather. 7.00 News. 7.05 Morning Concert (S). 8.00 News. 8.05 Morning Concert (continued). 9.00 News. 9.05 This Week's Composers: Dunstable and Power (S). 9.35 Beaux Arts Trio (S). 11.15 Harpsichord Recital (S). 11.50 Song Recital (S). 12.20 pm BBC Welsh Symphony Orchestra, part 1 (S). 1.00 News. 1.05 Six Continents. 1.25 BBC Welsh S.O., part 2 (S). 2.00 Rossini (S). 2.25 Test Match Special (West Indies v England). 4.55 News. 5.00 Mainly for Pleasure (S). 7.00 Conversations with Artists. 8.00 Mozart Concert from the Royal Festival Hall, London (part 1) (S). 8.55 Aspects of St. Joan. 9.15 Mozart Concert, part 2 (S). 9.50 "The Kingdom of Allemonde" by Garry O'Connor, with Anna Masey as Maggie Teyte (S). 11.00 News. 11.05 Maggie Teyte (soprano). 11.15-11.30 Test Match Special (review of the day's play).

VHF—with Medium Wave except at: 5.55-6.55 am Open University. 2.25 pm Beethoven's Last Three Piano Sonatas (S). 3.45 A French Triptych (S). 4.25-4.55 Jazz Today (S) and 11.15-11.45 Open University.

RADIO 4

6.00 am News Briefing. 6.10 Farming Today. 6.25 Shipping forecast. 6.30 Today, including 6.45 Prayer for the Day. 7.00, 8.00 Today's News. 7.30, 8.30 News Headlines. 7.45 Thought for the Day. 8.35 Yesterday in Parliament. 9.00 News. 9.05 Tuesday Call (Crime and Society). 10.00 News. 10.02 From Our Own Correspondent. 10.30 Daily Service. 10.45 Morning Story. 11.00 News. 11.05 Thirty-Minute Theatre. 11.35 Wildlife. 12.00 News. 12.02 pm You and Yours. 12.20 Down Your Way visits Newcastle Emlyn, Dyfed, Wales. 12.55 Weather; Programme News. 1.00 The World at One. 1.40 The Archers. 1.55 Shipping forecast. 2.00 News. 2.02 Woman's Hour. 3.00 News. 3.02 The Good Soldier Svejk by Jaroslav Hasek (S). 4.00 Elkins on Jerusalem. 4.15 What's That in Greek? 4.45 Story Time. 5.00 PM: News magazine. 5.50 Shipping forecast. 5.55 Weather; Programme News. 6.00 News. 6.30 Brain of Britain 1981 (S). 7.00 News. 7.05 The Archers. 7.20 Medicine Now. 7.50 Buying a Dream. 8.35 Voices in Harmony (S). 9.05 In Touch. 9.30 Kaleidoscope. 9.59 Weather. 10.00 The World Tonight. 10.30 Earthsearch by James Follett (S). 11.00 A Book at Bedtime. 11.15 The Financial World Tonight. 11.30 Today in Parliament. 12.00 News.

BBC Radio London

5.00 am As Radio 2. 6.30 Rush Hour. 9.03 Morning Star. 10.03 The Robbie Vincent Telephone Programme. 12.30 pm London News Desk. 12.40 The Tony Fish Total Music Show. 2.30 Tony Blackburn. 5.05 The News. 5.15 Music on the Move. 6.33 Opening. 7.03 Black Londoners. 8.00 As Radio 1. 10.00 Question Time from The House of Commons. 11.00-5.00 am Join Radio 2.

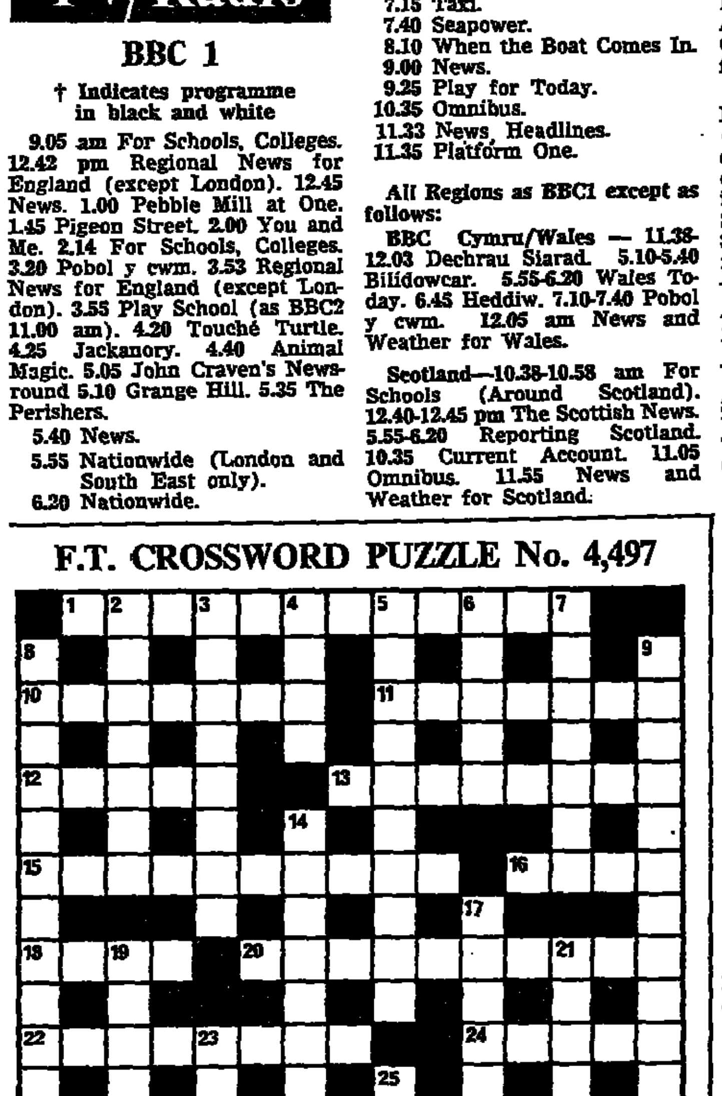
London Broadcasting

5.00 am AM: Bob Holness and Douglas Cameron. 10.00 Brian Hayes. 12.00 LBC Reports. 7.00 pm London Life. 9.00 Mike Dickin—Nightline. 12.00 LBC Reports Midnight. 1.00 am Night Extra. 4.00 Our Kind of Town. 5.00 Morning Music.

Capital Radio

5.30 am Mike Smith's Breakfast Show. 10.00 Michael Aspel. 12.30 pm Graham Dene. 1.00 First Report. 1.10 Graham Dene (continued). 3.00 Roger Scott. 7.00 London Tonight with Sarah Ward. 9.00 Nicky Horne. 11.00 Tony Myatt's Late Show. 2.00 am Night Flight.

F.T. CROSSWORD PUZZLE No. 4,497



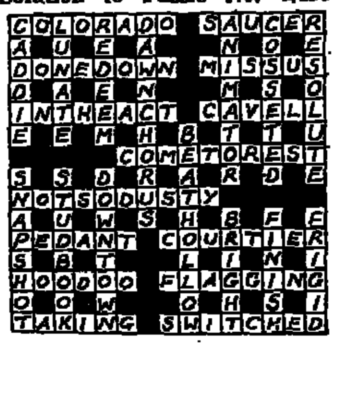
ACROSS

1 Howling type of wind loved by shopkeepers (7, 5)
10 Slim with drink around and a trifle (7)
11 Refusal to walk in a military manner from governor of Greek province (7)
12 Become liable to suffer (5)
13 Avidity to make sharp point (8)
15 Invalid article twice used in Australian Aborigine's club (5-5)
16 Pen to note could be an eyesore (4)
18 Fasten up a ringlet of hair (4)
20 Love harmony and mutual esteem (10)
22 The Scottish go and rest badly, but it's criminal (8)
24 Smiling in chagrin (5)
26 Rear and follow to the finish (4-3)
27 Mean to suggest how old one is (7)
28 Unclean article in wear experienced in storm (5, 7)

DOWN

2 Visual dispenser of spirit the French overturned (7)
3 Track and get rid of on a false charge (8)
4 Approach knight without his shortened title (4)
5 Corpulent ringer I tuned outside (10)
6 Ancient Greek god or headless god of riches (5)
7 Serious listener getting home (7)
8 Legal right of old breathers? . . . (7, 6)
9 . . . and box on stretcher used as a device to improve breathers (5, 8)
14 Six hours occurring four times a year? (7-3)
17 Lying near mixture of jade and coin (8)
19 Flattering, but candid about European leader (7)
21 Plants sack in here (7)
23 Guide young beast (5)
25 Wise herb (4)

Solution to Puzzle No. 4,496



ENTERTAINMENT GUIDE

OPERA & BALLET

COLISEUM. S. 836 3161. CC 240 5258. ENGLISH NATIONAL OPERA. Tonight & Fri 7.30 ... Sat 7.30 ... Tosca ... 10 am on day of perf. Season ends Feb. 28.

COVENT GARDEN. 240 1066. S. (Gardencharge CC 836 6903.) ... seats avail for all perfs from 10.00 am on the day of perf. THE ROYAL BALLET. Tomor & Thurs ... (Collier replaces Sibley) ... ROYAL OPERA ...

SADLER'S WELLS THEATRE. ECI. 01-837 1672/1673/3856. ... 10 am to 6 pm ... six perfs ... Ruddigore ... Sat at 2.30 ... Members ... Feb 23 to 28 Concerts at the Wells.

THEATRES

ADELPHI. CC 01-836 7611. Evgs. at 7.30. Sat. 4.00, 7.45. Mats. Thurs. at 3.00. TONY BRITTON, PETER BAYLISS and ANNA NEAGLE in MY FAIR LADY. Now booking through to October ... group bookings ... or 01-379 6061.

ALBERY ... ALDWYCH ... AMBASSADORS ... ARTS ... COMEDY ... CRITERION ... DUKE OF YORK'S ... DRURY LANE ... GARRICK ... GLOBE ... GREENWICH THEATRE ... HAYMARKET ... MAGGIE SMITH in VIRGINIA. A new play by Edna O'Brien from the lives and writings of Virginia & Leonard Woolf. Directed by Robin Phillips. Latecomers may not be admitted.

JEANETTA COCHRANE. 242 7040. Opens Feb 19 at 7. subs 7.30. Feb 28 at 5 & 8. NO NAMES . . . NO MEDALS. A story of the SAS by Euan Smith. Unsuit for children. Until Feb 28.

KINGS HEAD. 226 1916. Dnr 7. Show 8. DAFFODILS—The Barrow Poet.

LYRIC. S. CC. 01-437 3686. Evenings 8.00. Wed. 3.00. Sats. 5.30 and 8.30. DINSDALE LANDEN, NICOLA PAGETT in ALAN AYCKBOURN'S TAKING STEPS.

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CINEMAS

[illegible]

ART GALLERIES

[illegible]

EXHIBITIONS

[illegible]

Festival Hall

Stravinsky

by RONALD CRICHTON

The Stravinsky Festival reached the third concert on Sunday night, not with the London Sinfonietta which is the organising body but the London Symphony and attendant Chorus. David Atherton conducting. The big works were *Oedipus Rex* and Stravinsky's last dramatic work *The Flood*, written more than 30 years later, for television. Before them came two small works, *The Faun and the Shepherdess* (1907), a setting of three Pushkin poems mezzo-soprano and small orchestra, and *Zvezdoliki* (The star-faced one), a starry-eyed Balmont poem set for male-voice chorus and large orchestra.

The Flood, though it dates from Stravinsky's late serial period, is on the whole remarkably direct. Not even the conclusion of the successive episodes (some sung, with the voice of God given to two solo basses, some spoken, some danced) need prove disconcerting to an audience not normally prepared for such music. It is true that Stravinsky avoids anything remotely resembling conventional descriptive music for the actual flood—one longed to know what the screen showed at this point.

In *Oedipus* Atherton went all out for barbaric, bloody drama—nothing of the monumental, frigid neo-classicism some conductors prefer. Surely he was right, yet there is a lapidary side to this tremendous score—chorus and orchestra must be bound together with a rock-like firmness not always forthcoming on Sunday, though both components separately were greatly exciting.

Robert Tear's Oedipus caught and held the style (we must hear him sing this role in the opera house), so did John Tomlinson as Tiresias. John Shirley-Quirk found it as the Messenger more surely than as Creon. Anthony Rolfe Johnson's Shepherd was just right. Ann Murray's Jocasta—subtly revealed how much quicker the queen was than her son/husband to seize the implications of the messenger and shepherd's evidence, but neither tone nor Latin words had quite the density needed.

Like many of Stravinsky's major works *Oedipus* has the power of revealing new facets, of changing position as it were. In this performance one was conscious of a ferocity going back to the *Rite* but also of melodic twists and turns looking forward to *The Rake's Progress*. Opera-oratorio it may be, but a concert performance perhaps needs less conventional disposition of soloists, choir and orchestra. Only Robert Tear was fully successful in getting his voice out and away.

Round House

Trio Exvoco

by PAUL DRIVER

Last Sunday the Contemporary Music Network presented the Trio Exvoco from Stuttgart in a programme entitled *Lautspektakel DADA* or *Sound Hubbub*. The group, whose name means Expanded Voice Company, is three members of the Schola Cantorum, Stuttgart, aided by a technician. They are fine musicians but their aim is to explore as many other media as possible upon which musical art may remotely impinge, and to cultivate a kind of "concrete music." To this end they employ slide-projection, innumerable noise-making props, sound effects on tape, costume and (in one item) scent-spraying; they venture into the fields of poetry, acting, stage design, and even gymnastics.

Sunday's programme was an extensive, rather scholarly survey of Dadaist "sound-poems." Some 20 "composers" were included, who ranged from pioneers of the avant-garde such as Tristan Tzara, Raoul Hausmann, Artaud, Marinetti and Schwitters to epigones like Bussotti, Cage, Dieter Schnebel and our own Bob Cobbing. Because of the Trio's expertise and panache, because many of the texts used were projected on screens for the audience to follow and because the majority of the items were very succinct, the evening was a great success; and for once one could assert that the experimentalism, the *syllabising and gadgetry worked*.

What the Trio does can vary between an almost literal intoning of an abstract text, as for instance in Ladislav Novak's "constellations" of letters and syllables, where the simplest divergences from a sequence of repetitions proved wildly funny, to elaborate improvisations on a text, the most overpowering of which was Marinetti's *Parole in libertà*, complete with metal-work, pistol shots and revving engine sounds. John Cage was represented by a selection of his *62 Mesostics re. Merce Cunningham*, whose perversity was only compounded by the visibility of the zany diagrams themselves. (How typical of Cage to interest himself not in anagrams or acrostics or acronyms but in this most unskilled of verbal games!) Bussotti's *Lettura di Braibanti* in Hanna Aurbacher's rendering did benefit from projection of its beautiful, filigree fantasy-notation; but a Bussotti-ish concept was actually realised better in Bob Cobbing's unpretentious letter poem *Judith*.

Kurt Schwitters's *Sonate in urlauten* a protracted mimicry of musical forms in primary vocables, and Dieter Schnebel's lengthier *Maulwerke*, an illustrated medical lecture, made one want to point a moral and, paraphrasing Boulez, say that silliness should be a fixed explosion or it should not be.

Chop Suey by Edward Hopper

Hayward Gallery and Fruit Market, Edinburgh

Edward Hopper

by WILLIAM PACKER

Our American colleagues are nothing if not whole-hearted in their critical enthusiasms, and the necessary but welcome moderation of the claims they once advanced so freely on behalf of their post-war heroes has been attended by an equally welcome; but again somewhat over-stated reassessment of the work of an earlier generation of American painters. We must take care our own natural interest and even admiration, is not similarly toppled over into undue deference.

Significantly they are not the fore-runners of American abstraction, the Marins, Doves and O'Keefes who are thus celebrated, but rather the unequivocal figurative painters, from Homer, Sloan and Bellows to Marsh and Hopper; which fits exactly recent international critical development. If this upsets the simple notion of inevitable progress, so much the better: art, like life, is just not like that. But there must be no special pleading, and it is within an international context that these artists should be seen.

The Whitney Museum of New York, which enjoys the major holding of the artist's work, has sent to this country two fascinating and important exhibitions of the work of Edward Hopper, the offspring, as it were, of the exhaustive study it mounted last year. The show at the Hayward (until March 29) is glossed "The Art and the Artist," and is in fact a simple if somewhat eccentrically ordered run through the oil paintings of a lifetime, filled out with a small number of water-colours, working drawings and studies, and only four etchings.

The other show, "The Formative Years" (which has just closed in Newport, but is to be seen at the Fruit Market, Edinburgh, from February 28 to April 4, and returns to Wales, to the Mostyn Gallery, Llandudno, on August 15), concentrates less on painting as such than on the graphic work, and most particularly, and interestingly, on the commissioned design and illustration by which Hopper for so long made his living as an artist. The shows are truly complementary, and it is the greatest pity that they should be so far flung. They are presented here by the Arts Council of Great Britain and the Welsh and Scottish Arts Councils respectively, and have been supported throughout most generously by the Philip Morris group and the National Endowment for the Arts.

Together they stand worthy monuments to a true artist, whose tenacity and commitment to his vocation are undeniable; but whether he was finally a great artist, they leave us room to doubt. In presenting to us his achievement, his limitations are made as clear as his qualities. Hopper has always been known, of course, fashion notwithstanding, and by a wide range of artists, but the paintings themselves have not travelled much, are for the most part familiar only by reproduction. We have long looked forward to seeing a representative selection of the work, to seeing it properly and seeing it whole: and now we have it before us, it is not quite what we expected.

We are shown a young man in Paris before the First World War painting with a freshness and freedom that are as admirable as they are surprising, the juicy paint laid on with commendable simplicity, confidence and sensitivity: and we are shown an old man (he died in 1967 at the age of 84) whose work could only be admirable in reproduction, the surface crude; the colour harsh, the drawing doubtful. And this retreat from early and very real painterly promise to such repetitive uncertainty casts a large question across the work of his maturity, by which he is properly known, before his painterly touch deserted him. We remember how much of himself he gave to illustration, and consider the true character of so many of his most famous paintings. Perhaps he was just an illustrator after all.

There is little that is naturalistic in Hopper's work, even if naturalism is a term that can ever be applied to painting, and certainly nothing after his return to New York in 1910. The graphic boldness of his design sees to that. Nor can we use Realism of his work, even if again we beg the question of a definition (we would make bad jugglers, who throw our categories in the air and drop them as maybe). Rather the work of his maturity, the only work of his we have known at all hitherto, is shot through with a heavy, if ambiguous symbolic charge, an imminent, unstated significance. The imagery is never less than intriguing, imbued with an almost palpable sense of space, the figures as monumental as the buildings they invest, not so much active as accessories to past or potential action, as though they were actors on a set or stage awaiting a cue. Everything is strongly, preternaturally lit, solidly constructed: lighthouses, signal-boxes, steam-boats, bridges. We think of de Chirico, and his eternal, metaphysical afternoon.

A stenographer turns archly from the filing cabinet, the young girl stands proudly on the white steps, flaunting her light summer frock, the blonde in the lobby sits cross-legged forever, reading her magazine, an usherette broods eternally in the half-light. In cafés at dead of night, empty theatres, in bleak, anonymous offices and lobbies, these images recur, redolent of loneliness, alienation, despair and desire; and boredom, unrelieved boredom at life's petty, mundane round.

Hopper was a conscientious rather than spectacular draughtsman, achieving his effects more by his command of composition and design, and of dark and light, than by the niceties of line and form. Etching suited him admirably, and the work he did in the medium stands as a considerable achievement in its own right. But some of the drawings do possess great charm, some of the smaller and more fleeting of notes most especially. The first two studies for the usherette, for example, are beautifully unaffected, and effective besides, the one leaning forward to peer round the pillar, the other the first note of the final pose. Separated by several hundred feet at the Hayward from the final painting, they also point to an opportunity lost in the hanging, which is in any case irritatingly convoluted in its sequence, handsome though it is item by item.

Symbolism is a curious quality in art, for it is essentially literary in that it bespeaks interpretation: and yet the visual symbolist may leave obscure and unsaid more, much more than he ever reveals, and be the stronger for it; and we need only cite Morandi, or Balthus, or de Chirico to make the point. But Hopper, it becomes clear, could never quite contain his peculiar symbolism within purely painterly terms. Though the story is never quite spoken, increasingly the suggestion that there is a story is indulged; and so the literary opportunity presented by the work, its potential rather than actual content, as it were, moves in front to hide the painting itself. It does not always happen, and there are a number of marvellous things: but as Hopper gets older, the problem quite simply, and obviously, gets worse

Rossini in Bologna

by WILLIAM WEAVER

Bologna's beautiful, historic Teatro Comunale has termites. Once this discovery was made, the authorities found other renovations necessary; so the house will be closed for at least another season. In the meanwhile opera is being given in the less appealing Scala Europa of the Palazzo dei Congressi, a cold, modern convention hall on the outskirts of the city. Though the stage is an unhappy, oblong shape, the acoustics are good, the seats are sinfully comfortable, and bus connections excellent. So Bolognese opera-going is still enjoyable.

The programme is as interesting as ever. The current production is an unassuming, but attractive double bill which pairs two early 19th century "Turkish" works, Weber's *Abu Hassan*, composed in 1810-11, and Rossini's *Adina*, written seven or eight years later. Neither of these works is familiar in Italy, and it was an inspired idea to give them together, allowing the spectator to appreciate both the similarities and the differences. Actually, though the stories resemble each other, the differences are greater. Weber's *Singspiel* mixes Mozartian comic elements with romantic fervour (especially in the heroine's music); Rossini's *farsa* has a comic bass, but Adina and her faithful Selim are more wistful than comic. The music is, for the most part, formula Rossini, the fulfilment of a Portuguese commission. First performed in Lisbon in 1826, *Adina* reached Italy (the Settimana senese festival) only in 1963. It is not a great piece, but it is never less than engaging, and when Rossini goes beyond formula—as in Adina's lovely final scene—the opera soars.

Carmen Lavani was Weber's Fatima and Rossini's Adina, and she was a delight in both roles: a pretty, tactful actress and a musical singer with sweet, true voice. Ottavio Garaventa, her Abu Hassan, is a serviceable tenor; he did his job. In *Adina* the tenor Ernesto Palacio, as Selim, was clearly not at ease. Routine Rossini can be just as difficult as the masterpieces, and though Palacio's voice is light, it is not sufficiently agile. Mario Chiappi was the comic bass, a sound performer. In *Adina* the character tenor Giuseppe Fallisi sang his single aria with style. As the Caliph, Arturo Testa seemed tentative.

Perhaps to make things easier, the conductor Tito Gotti occasionally set some excessively slow tempos. Still, he produced some good playing from the Bologna orchestra, and most of the time the music flowed naturally. Lorenzo Ghiglia designed a single basic set: a spacious room frescoed in Magritte-like clouds. For *Abu Hassan*, the space contained a platform - bedchamber: for *Adina*, an attractive grove of palmtrees. Roberto Guicciardini staged both operas sensibly (except for the extraneous presence of some 19th-century "spectators," who occasionally distracted the eye).

Lyttelton

Family Voices

by ANTHONY CURTIS

Harold Pinter's play for three voices was heard on Radio 3 last month. It was the first of a series of National Theatre productions to be broadcast on BBC Radio. On Friday the work received a Platform Performance in the Lyttelton Theatre. Peggy Ashcroft and Michael Kitchen dressed in black sit on chairs framed by illuminated doorways. Mark Dignam's voice comes from the grave and he is out of sight. What if anything does the play gain from being seen live? It is so quintessentially a radio work that the answer must be not much, but with an audience present the comedy which is frequent, subtle and delicious, comes out even more than it does on the air. On Friday there were lots of laughs. As on radio it was beautifully spoken and the story it has to tell came steadily through the disjointed epistolary utterances spoken by mother and son. These letters are written in the mind, not posted and sent. Certainly not received. No one ever replies to anything anyone else has written.

Nonetheless quite a coherent well-rounded *story* emerges. A young man with a married sister in Dover lives with his elderly parents on the Kent coast. Suddenly he leaves home. He takes a room in a lodging-house in a city some distance away. During his absence his irascible father whom he has loved as a child, but now loathes, dies. His mother, desperately lonely and disconsolate, dreams of the day when he will return, smart and successful with a young wife in tow. *He professes still to love* her but he is totally caught up in fathoming the lives of the strange family by the name of Withers with whom he is staying.

What the Guermantes are to Marcel the Withers are to this young man. All the other rooms in the house are occupied by people related to each other. He is the only stranger and his adoption as a member of the household is the theme of the play. His landlady Mrs. Withers, an alcoholic, has served in the WAAF and embraces him as her "little pet"; the elegant Lady Withers who plays Schumann on the piano and drinks vin rosé makes a veiled pass at him. Her daughter, or maybe her sister, Jane, a 15-year-old schoolgirl walks around provocatively in blackstockinged feet. She excites him so much that he considers taking up teaching.

Alarmed by his continued absence his mother and sister turn up on the doorstep one afternoon to claim him back. They are insulted and the door is slammed in their faces by a big tough gentleman called Reilly, a relation of the Withers' "of a sort." He reports the episode to the young man while he is having a bath. Reilly confesses he likes slender youths. The boy's acceptance seems complete when old Benjamin Withers, the father-figure of this household, calls him into his room and delivers a lecture the burden of which may be construed as "watch it, mate." While the young man is pondering this we hear the voice of his own father in a sort of no man's land between life and death taunting him; he is a continuing presence in his son's mind. His mother meanwhile has informed the police of his disappearance.

The boy feels strangely happy among the Withers for all their eccentric behaviour. At last his life possesses shape. Even so as the pressures of growing intimacy with all the members of this family bear down on him he plans to return to his mother and his real home.

It is an *education sentimentale* in miniature. Mr. Kitchen has most to do since as well as his own reactions he has to sketch portraits of each Withers in turn. This he does with delicate strokes. Miss Ashcroft has merely to sustain a palpable maternal image which she does with poignancy. She has the great line of the play to speak when she asks her son if he thinks the word love has any meaning. Mr. Dignam is briefly but memorably sepulchral. The process of exchanging one family for another is something which the author appears to see *as both comic and* tragic. The play is directed by Peter Hall (for the National Theatre) and John Tydeman (for the BBC).

Elizabeth Hall

Sarbu

by DOMINIC GILL

Eugene Sarbu is the Romanian violinist who most recently added to his enormous list of competitive distinctions the first prizes of both the Paganini (in Genoa) and the Carl Flesch (in London) competitions in a single season three years ago.

He is indeed a sensational talent, and an unusual one: a young artist (b. 1950) whose "old-fashioned" manners set him fair and square at the centre of the great (though by now, one assumed, all but extinct) East European tradition. The tone is ravishing, mixed from the broadest palette, dark and rich, honey-gold, bright-edged and vibrant. The intonation is faultless. The technique, buoyed up by apparently limitless reserves of energy, is at once grandly extrovert and solid as a rock. There is a special fondness for gypsy colourings, liberal portamenti, fades, flutterings, and hesitations. Unorthodox bowings, visually somewhat ostentatious, work in practice with often stunning success: notably a powerful flick of the bow on to the string from a great height, with an attack like a whiplash.

He began his recital on Sunday evening with Grieg's third sonata—a performance drenched in the most tasteful salon perfume, and full of splendid showmanship, which is just what the piece needs to make its most authentic effect. Brahms needs it less: there were one or two moments in the A major sonata *at which the stick-slap was just* in danger of crossing over into slapstick. I loved the glow of colour: and the warmth, the directness and pungency of the style—but to get it perfectly right is to tread a very narrow path: *half* a step over the edge, and everything sounds like Kreisler's *Liebesleid*.

On the whole, even in the music which the style suits least well, it was a path which Sarbu negotiated with remarkable success. There were times when, for my taste, he seemed to be trying a little too hard to make every *piano* in Beethoven's G major sonata op. 30 no. 3 sound not just quiet but heart-wringingly soulful; and in the slow movement there were some close brushes, if never actual meetings, with schmaltz. But there was also everywhere a sense of keen intelligence and of undivided musical concentration: who is to say, in the face of such powerful imagination and conviction, what is ultimately "right" or "wrong"? His accounts of Smetana's two little "From my Homeland" essays, and of Ravel's *Tzigane*, were both spellbinding: magical webs of fancy, spun in silk and steel. Special praise for Sarbu's pianist partner Gordon Back—whose support throughout the evening was a model of accuracy, tact (but without a trace of timidity) and lively response.

New Ustinov play to open in London in April

Deborah Kerr and Ian Carmichael star in *Overhcard*, a new play by Peter Ustinov which will open at the Theatre Royal, Haymarket at the end of April, following Maggie Smith's season in *Virginia*.

W.H. Smith Award 1981

The W. H. Smith Annual Literary Award (£2,500) has been won by Isobel Colegate for her novel *The Shooting Party*. The story is set on the eve of the First World War.

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Mining coal for profit

IS THE coal industry primarily a business or a social service? This ought to be seen as the central issue in the intensifying dispute between the miners and the National Coal Board over accelerated pit closures. Unfortunately if, as seems possible, the dispute turns into a major confrontation between the union movement and the Government, the final outcome will probably be determined by industrial muscle and political willpower, rather than by sound economics. But before the stage of outright confrontation is reached, there is still a chance for the Government and the coal board to appeal to the good sense of the miners and the nation: the coal board by explaining why pit closures are not just inevitable, but desirable; the Government by showing that they can be accomplished with compassion and an appreciation of the social implications.

Stability

Like most of Britain's industries, coal has suffered from a sharp fall in demand during the current recession. Unlike most of Britain's workers, the miners have so far been protected from the effects of falling demand by two factors—their perceived industrial power and, just as importantly, an understanding reached with three successive governments after the 1973 energy crisis about the importance of reviving the coal industry.

The Plan for Coal which was drawn up in 1973 and backed in various modified forms by governments, unions and NCB management since then, was intended to reverse the decline of the industry and turn coal into Britain's dominant energy source by the end of the century. In exchange for large productivity improvements, governments assured miners of reasonable security of employment and the industry of reasonable stability of demand and a huge investment programme.

It was accepted by all parties, however, that many pits would have to close as their reserves were depleted. In the original plan closures of 3m to 4m tonnes of capacity a year were expected between 1974 and 1985. Since 1974 closures have been much slower, partly because of increasing energy prices, and booming demand and partly because of political factors under the Labour Government. Delays in developing new collieries also contributed to the scaling down of the closures target in 1977 to an average of 2m tonnes annually.

While the principle that depleted mines could be closed was accepted by the NUM, there was never agreement on the question of when a pit should be deemed "depleted" and, even more fundamentally, on the reasons why closures were necessary. The miners' attitude—that pits should only be closed when continued working became physically impossible or dangerous—was never sufficiently strongly challenged by the coal board.

The idea that pits become unworkable for economic reasons is still alien to the NUM's thinking. Yet the facts about relative productivity and profitability are eloquent. In the South Wales region, the NCB's output per manshift is 1.39 tonnes of coal. In North Nottinghamshire it is 3.06 tonnes and in new collieries under development it will be 10.57 tonnes on average. In South Wales, the NCB loses £7.81 per tonne of coal mined, compared with a profit of £4.45 per tonne in North Nottinghamshire.

Investment

As long as so many of the NCB's pits remain unprofitable at coal prices which are largely determined by the world energy market, the coal industry will remain chained to its depressed past. The idea that coal mines which cannot even cover their wage costs should be kept open as a social service would be almost unthinkable if it were not so widely held. Obviously the rundown of highly unprofitable pits must be gradual and there has to be generous compensation for miners made redundant.

But the only long-term answer to the coal industry's problems is the rapid development of improved efficient collieries—a development being stunted by a combination of government imposed investment ceilings and NUM opposition to necessary closure. Perhaps a more generous attitude from the Government to investment as well as redundancy payments, would help to convince the NUM that miners can have a secure and well-rewarded future.

The non-aligned rebuff Moscow

FRIENDS OF THE Soviet Union were outmanoeuvred and suffered a sharp setback at the conference of foreign ministers from the non-aligned countries held in New Delhi. To some extent at least the movement is finding its way back to its roots the principle of "equidistance" from the two superpowers advocated most forcibly by Yugoslavia. The attempt by Fidel Castro, begun at the summit of the non-aligned in Havana in October of 1979, to turn their movement into a supporter of Moscow's causes, failed in New Delhi.

Withdrawal

At New Delhi the so-called moderates played their cards more successfully than did the so-called militants and Marxists, meaning chiefly the Cubans, Vietnamese, South Yemeni, and Seychelles. As a result relatively anodyne recommendations about Afghanistan and Kampuchea in the draft declaration originally submitted by India were hardened up to include the withdrawal of foreign forces in both cases. The original version had called upon South East Asian nations to settle their differences without the involvement of outside powers; in the case of Afghanistan it expressed opposition to the use of force in that country.

In both cases the revised version falls short of naming the actual invading power: Russia in the case of Afghanistan, and Vietnam in the case of Kampuchea. But none the less it is a good deal more pointed than the Indian draft.

It would be wrong to conclude that New Delhi represents an unannounced shift on the part of the non-aligned movement. The moderates have been working up to it ever since Havana. It was there that they prevented the admission to the summit of a delegation from the Heng Samrin regime placed in power in Kampuchea by the Vietnamese. On the other hand the ousted Pol Pot regime was also denied a seat.

Subsequently, at the United Nations, the representatives of the non-aligned after a long private meeting, repudiated a Cuban document containing strong, one-sided attacks on the Americans. Then, a year ago, Yugoslavia began a campaign, still inspired by Marshal Tito, to ensure a condemnation of the Soviet invasion of Afghanistan and to restore the non-aligned to "equidistance" between the super-powers.

Tito was one of the original inspirers of the non-aligned movement, together with President Nasser of Egypt, and Mr. Jawaharlal Nehru, the first Prime Minister of an independent India. They were living in a world of cold war between Moscow and Washington, and a world where the old colonial empires were breaking up.

The world is greatly changed since those days. For instance, China has become a factor to be reckoned with. The need to protect its border with China at times has seemed to drive India into Moscow's arms, though Mrs. Indira Gandhi has always stopped short of the irrevocable. Decolonisation as such is pretty well complete (at least if it is taken to mean the abdication of the western colonial powers). But the economic follow-up to decolonisation is not.

Realistic

For these and similar reason the non-aligned movement has lost some of its influence to other organisations: the Group of 77, the Islamic Conference, even OPEC, with more clearly defined objectives or a more realistic basis of power.

Bickering among the non-aligned themselves has further reduced the movement's standing, as has the impression it has at times given of confusing anti-Americanism with non-alignment. The return to equidistance should help to restore some of the standing of the movement. It has also served as a sharp reminder that the Soviet invasion of Afghanistan is not forgotten in the Third World. The West should be grateful to find that it is not the only target of Third World criticism.

None of this is to say that the non-aligned have overnight become uncritical friends of the West. The economic section of their declaration, calling for a new international economic order is proof enough of that. Nor has the forecast once made come true, that Afghanistan would become the Vietnam of the Russians. But one thing is clear: Moscow, provided it cares, has a lot of fence mending to do.

THE BUDGET: TWO WAYS FORWARD

The Chancellor's choice: to save the economy or salvage his strategy

By Frank Blackaby

ECONOMIC policy has been in such a muddle in recent years that the best thing to do is to start again from the basics. The purpose of economic policy—and the budget is, of course, a major economic policy event—is to improve the economic outcome if possible: to make things better. What does "better" mean? We can probably all agree about this: things would be better if unemployment were very much lower (or at least falling), if output (and the standard of living) were rising at a reasonable rate, and if the rise in prices were much more moderate.

These are the objectives of economic policy. People vary in the relative importance they give to each: but it is always a mistake to say that one is all-important and the rest do not matter, or to say that one must in some sense be "solved" before any attention is paid to the others. None is likely to be "solved" in any meaningful sense of the word. Economic policy must always be concerned with all three.

Before any economic policy decision, the first thing to do is to take some view about what is likely to happen "on unchanged policies." (In fiscal matters, the convention is that "unchanged policies" include an indexation of indirect taxes and also include the Rooker-Wise amendment). The question of what would happen on unchanged policies is a question the Government should put to the Treasury model, and this time the Government should accept the answers it gives. Last year, the model predicted a sharp fall in output, and some ministers expressed public scepticism about the numbers they were required by law to publish. The forecast was right—on output, though not of course on any financial figures—and the sceptics were wrong.

The crucial point about virtually all extant forecasts "on unchanged policies" is that unemployment goes on rising, not just in 1981 but in 1982 as well. Inflation comes down, probably to a rate of 8 to 9 per cent by the end of this year. How much further it comes down thereafter is debatable. What has been happening is that the rise in unemployment has weakened bargaining power, and that is now the main force bringing down the rise in prices. The story we were told a year ago was, of course, rather different: the Government would stick firmly to its money supply target: everyone would see that was happening, and would adjust their behaviour accordingly: that was how inflation was supposed to come down. There is, of course, nothing left of that picture.

That, then, is the prospect: indefinitely rising unemployment. Can the Government do something in the budget to change it? I think it can—and indeed, given the long time lags before measures affect output,

> "Quite simply the Government should reduce taxes. Ideally it should reduce indirect taxes"

and before output affects employment, the Government had better do something now if it wants to stop the rise in unemployment before the end of 1982. Quite simply, the Government should reduce taxes (there is not much point in urging this Government to increase public expenditure). Ideally, it should reduce indirect taxes. That would serve to bring down both unemployment and the rate of price increase as well. If this seemed too much like a doctrinal reversal, then it should reduce the tax on employment—employees' national insurance contributions and the national insurance surcharge on companies.

Other instruments than fiscal

How big should the stimulus be? This would, of course, depend on what else the Government was doing: whether it was or was not moving to get the exchange rate down and to reduce interest rates. Fiscal instruments are not the only instruments the Government has. However, it is not likely to find a way of checking the rise in unemployment unless there is some fiscal relaxation. The impetus behind the rise in unemployment is now such that a fairly significant fiscal move will be needed to check it. It might need something like a halving of value-added tax, costing the Exchequer some £4bn to £5bn, to stop the rise in unemployment by the end of 1982.

Consider the objections to this suggestion. We have been taught that all reflation leads simply to more inflation, and that the effect on output in the long run is nil. It is a lesson now best forgotten. It is true with full employment, but with massive unemployment it is not. With some forms of fiscal stimulus (although probably not with a reduction in indirect taxes), the slowing down in the rise in unemployment would probably be accompanied by a slower decline in the rate at which prices are rising. This would still leave a positive effect on output and employment in the short, the medium, and the long term.

What about the suggestion that, if only the Government hangs on with its current deflationary policy, there will eventually be a "natural" recovery in output, and a "natural" check to the rise in unemployment. A politician who banked on this outcome would be very foolish. It depends on powerful stimuli to activity turning up simply from a decline in the rate of price increase. In Britain, the evidence for such powerful effects is thin.

Finally, what about the effect of such fiscal proposals on that mysterious figure, the public sector borrowing requirement? Plenty of cosmetic techniques are available for bringing the forecast of that figure down. And forecasts for the PSBR in the next fiscal year can surely no longer be treated seriously, still less targets. Consider the experience of the current fiscal year. The target for that number was £8.5bn, and is likely to be exceeded by £3bn to £4bn. What do the proponents of such targetry say about this? Either they can say the target was wrongly set, in which case what is the point of targets when the range of error in setting them is around 40 per cent. Or they can say the target was correctly set, and the Government should have observed it. Consider what the economy would be like now, if the Government throughout this last year had been increasing taxes and reducing expenditure in such a way as to bring the PSBR down by £3bn to £4bn. It is a bad idea to set intermediate financial targets of this kind. They just get in the way of sensible economic policy making.

The Chancellor has a choice in the forthcoming budget. He can either move to save the economy, or he can try to salvage the numbers in his medium-term financial strategy. Except by some extraordinarily lucky chance, he will not be able to do both.

Frank Blackaby is Deputy Director of the National Institute for Economic and Social research

Two outstanding issues: medium-term targets and short-term money problems

By Alan Budd

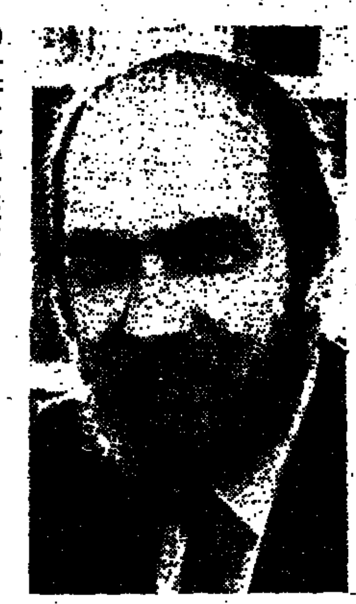
THE BUDGET of March 10 must resolve two outstanding issues. The first is what steps should be taken to reinstate the targets of the medium-term financial strategy. The second is what additional controls are needed to ensure that the short-term problems of monetary management, which revealed themselves so starkly in 1980, are solved in future.

If the first year of the medium term financial strategy had kept monetary growth within the limits set out in last year's budget, the choice of fiscal stance for the next budget would be relatively straightforward. The target range for monetary growth in 1981-82 is 6 to 10 per cent. As explained in last year's budget statement, the Government would have some choice in how the monetary target should be achieved:

"The Government would face a number of potions for policy changes to achieve this aim, including changes in interest rates, taxes and public expenditure. But there would be no question of departing from the money supply policy, which is essential to the success of any anti-inflationary strategy."

The first year of the strategy has seen a sad retreat from those brave words. It now appears likely that the upper limit of the current year's monetary target will be exceeded by at least 4 per cent after allowance for the distortions caused by the removal of the corset, and that the outturn for the public-sector borrowing requirement will be £4bn or £5bn more than originally forecast. That is a very bad start for a strategy which was supposed to impose limits on the Government's fiscal and financial policy.

It may seem that the monetary over-run does not matter since the Government has had considerable success in reducing the rate of inflation. Such complacency is mistaken. The rapid monetary growth since mid-1980 could hardly be expected to have affected prices yet. In addition, because of the high interest rates paid on bank deposits, money is being held as a form of investment rather than for spending. These balances will be "activated" when interest rates fall. At the same time, it is wrong to accept the naive view that the current rate of growth of the money supply (over 20 per cent at an annual rate since February 1980) must lead to inflation of the same order in about two years. The monetary growth of the past three years has accompanied rapid inflation and it is possible to justify much of it as an accommodation to the effects of the increase in value-added tax and oil prices. However, that still leaves some monetary growth unexplained and unjustified. In terms of sterling M3, we seem to have about 4 per cent too much money relative to the current level of nominal income. Unless steps are taken to claw it back, the money will find its way into prices sooner or later.



> "After the corset was removed there was no short term means of controlling sterling M3"

If the Government also wants to see a downward trend in interest rates, it must use fiscal policy to bring the money supply under control. It seems that about half of the expected over-run of the PSBR in 1980-81 can be explained by the unexpected depth of the recession. The rest is due either to a failure to control public expenditure or to over-optimistic forecasts of the yields from certain taxes. I propose that the next budget should remove that excess. Fiscal policy should be tightened by £2bn compared with "unchanged policy." (By "unchanged policy," I mean that personal income tax allowances and specific duties are adjusted in line with inflation.)

PSBR dependency on output

Such a tightening would help to bring monetary policy back on course and would also be broadly consistent with the path for the PSBR set out in the medium-term strategy.

The actual figure for the PSBR in 1981-82 would depend on what happens to output. We have always argued strongly that the "built-in stabilisers" of fiscal policy should be allowed to operate. Mr. Frank Blackaby has rightly pointed out that the scale of these stabilisers—the extent to which expenditure rises and revenue falls when output falls—is a matter of accident rather than design. But the important point is that, within the context of the medium-term financial strategy, cyclical changes in the PSBR do not normally put pressure on the money supply.

The experience of 1980 showed clearly that the medium-term financial strategy does not provide an adequate guide to short-term policy. The Government lost control of the PSBR. This was partly because the company sector was seeking to relieve its own financial difficulties at the expense of the public sector. Had it been following a strictly monetarist policy, it would have held all the more rigorously to its monetary targets, regardless of the consequences for interest rates. As it was, it found that after the removal of the corset it had no short-term means of controlling sterling M3 and it also apparently decided that sterling M3 was not a valid indicator of monetary developments.

I agree that sterling M3 is a medium-term rather than a short-term indicator. It must, therefore, be reinforced by a short-term method of monetary control. The absence of such a method of control last year led to the kind of discretionary activities by the Bank of England which were unpleasantly reminiscent of the monetary boom of the early 1970s.

Tightening of fiscal policy by £2bn and the introduction of a system for short-term monetary control would re-establish the framework of the medium-term financial strategy. It is rather more difficult to advise what the detailed changes in policy should be. The personal sector has done absurdly well in the past three years and should suffer the main burden of the fiscal adjustment in 1981-82. I would take the process one stage further and raise additional money from the personal sector—through increased direct taxation—in order to reduce the National Insurance surcharge. I assume that all specific duties will be increased by at least 15 per cent, but I would go further in the case of petrol. The Government has steadily reduced the tax burden on petrol as its raw material price has risen. There is no justification for that. Finally, there is the question of public expenditure. The type of fruitless exercise we saw last autumn when the Treasury "fights" for cuts (and "losses") will continue until the Government produces a coherent policy for public expenditure. Once the medium-term financial strategy is back on course, that should be the next priority.

Alan Budd is Director of the Centre for Economic Forecasting at the London Business School.

MEN AND MATTERS

Voice of the valleys

Welsh miners' president Emlyn Williams confidently predicts that the response from the valleys to his strike call today will be one of full-blooded militancy. "This is about survival," he says. "A much more emotional issue than in '72 or '74."

Or than a year ago when, under the restraining hand of the TUC, the Welsh pitmen rejected Williams's appeal to stand shoulder-to-shoulder with the steelworkers.

That was a blow to his personal prestige which Williams determined should not be repeated. Within a few weeks he had begun a campaign of pit-head "education" in preparation for the fight against the NCB's long-foreseen plans for further pit closures. "We will make sure on this occasion we have got an army behind us," he said last June.

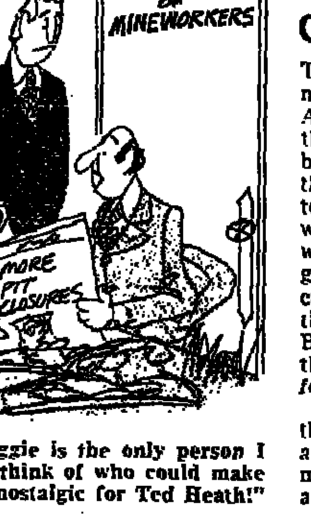
It is not often that the pugnacious Williams mistakes the mood of his men. He has been involved in the NUM since he was elected to his lodge committee at Bwllfa colliery as a boy of 16. His unopposed election to the South Wales presidency in 1974 was seen as a just reward for articulating their frustration and anger with the Heath Government.

An austere man, Williams lives in a council house at Aberdare, still regularly turns out for work at 6 a.m., and often carries a packed lunch with him.

Though a member of the Labour Party's national executive for many years, he took little active part in its internal politics. But he registers as much distaste for "elitism" in the party leadership as he does for the wheeler-dealing that national trade union leaders tend to indulge in with Government. He retains a streak of the syndicalism of his Welsh forbears.

"If society cannot afford to pay the miners," he has said, "then my reply is that society must be changed so that it can afford it."

But he is equally blunt about any attempt to buy the miners off now with generous redundancy terms. "Redundancy pay? It's fools' gold," he rasps.



"Maggie is the only person I can think of who could make me nostalgic for Ted Heath!"

Currant affairs

The travellers cross the northern reaches of strife-torn Afghanistan, and move on, over the Vakhsh River to the Russian border town of Temerz, where the long haul begins northwards to meet the Trans-Siberian railway which bears them endlessly westward to the port of Leningrad. The waiting ship, its cargo boarded, steams out of the Gulf of Finland, through the Baltic Sea and Skaggerak into the North Sea, with course set for British shores.

And once on British shores, the cargo is checked, packed, and whisked on to the supermarket shelf. For the travellers are not fugitives in a Graham Greene underworld, but raisins, destined for British stomachs by way of Whitworth Brothers in Wellingborough.

The surprising report of Whitworth production and buying director Ken Galley is that the Russian invasion of Afghanistan was, if anything, beneficial in the strictly limited context of the raisin trade. The fruit was normally exported through Russia in any case, and the coup has served to smooth communications. The same strictly-free-enterprise merchants are selling the fruit locally, and the crop now on our shelves, the first since the tanks rolled through, is plentiful.

For the Afghanis, and Russians, the business has the particular advantage that settlement is demanded and made in U.S. dollars; while from the buyer's point of view, the Afghani produce is cheaper than its rivals.

Galley reports no informal pressure here against buying Afghani, a sentiment borne out by the Department of Trade, which told me yesterday that "anybody who came to us for advice would be treated like anybody else . . . we wouldn't discourage trade."

Bank roll

Scepticism and suspicion from British banks yesterday in reaction to a survey showing them well behind their American counterparts in tempting multi-national corporate custom. According to Greenwich Research Associates of the U.S., which surveyed over half the 600 multi-national corporations headquartered in Europe, there are four American banks in the top ten, two German and two French, with Holland and Britain lagging at one apiece.

Citibank is said to lead in market penetration, with over 43 per cent of potential customers on its books. Next comes a proud but solitary showing from our own Barclays, with 28 per cent. Germany's Deutsche Bank has similar penetration but solicits less new business, according to Greenwich, with France's BNP and Bank of America clocking in behind.

"This sort of thing has been said before," replies an unimpressed Chris Mapleton of the Banking Information Services in London, "and practically speaking, when we've analysed it, British banks come out the same if not better."

Benn ban

What, I predict, will be the most popular industrial action of the year began at Labour Party headquarters yesterday—a boycott of the works of Tony Benn, Eric Heffer, Dennis Skinner and other leading Left-wing choristers.

The staff of Labour Weekly and the party's Press Office are refusing to handle any matter involving members of the National Executive Committee in protest against its refusal to fill a long-standing vacancy and other "indiscriminate" economies.

No policy documents will be published, no speeches reported, no personal queries answered, says the staff, until justice is secured. Now might be the time, too, for the social democrats to strike.

Prayer breakfast

Imperial Chemical Industries, having recorded its first ever loss in the third quarter of 1980, appears to be neglecting no possible source of aid in troubled times. When the group opened a new plastics plant in Lancashire, the Rev. Godfrey Hirst, ICI's industrial chaplain for the North-West, pleaded: "Lord, make us not like porridge — thick and slow to stir. Make us instead like cornflakes — crisp and ready to serve."

Observer

Political Realignment: Elinor Goodman looks at the struggle for power within the Labour Party

Taking the fight to the grassroots

LABOUR LOYALISTS will today launch a crusade to reclaim the Red Flag. Led by the increasingly bellicose Mr. Roy Hattersley, they will pledge themselves to fight extremists of all kinds in a bid to preserve Labour as a party capable of winning the next election.

The crusade's specific aims will be to change last month's conference decision giving the unions the biggest say in electing the Labour leader, and to reform the party's national executive. The announcement will be accompanied by the usual incantations about the need to unite to fight against the Tories. But if it is to amount to anything more than pious resolutions — and there will be many offstage noises from Mrs. Shirley Williams and her colleagues, claiming that it does not — it means declaring war on the Hard Left and attacking Mr. Tony Benn's power base in the constituencies.

For until now, the moderates have singularly failed to get anything like the degree of commitment from their supporters that the Far Left has achieved. The result has been that small groups of militant Left-wingers have been able to entrench themselves at the grass-roots level in both the local parties and the unions, where the policy-making process in the Labour Party begins.

Last month's Wembley conference was, in part, a testimony to the effectiveness of these tactics. In particular, it was a coup for the Rank and File Mobilising Committee for Labour Democracy which was formed last year to co-ordinate the activities of all the various pressure groups on the Far Left.

These groups — variously described as members of the "Far Left," the "Hard Left" and, usually by MPs when their own activists are out of earshot, the "loony Left" — are Tony Benn's left flank. They do not control him, any more than he controls them. But they have been a powerful ally in the campaign for his version of party democracy. If he were to lose their support, he would lose his power base in the country.

The groups within the RFMCLD retain separate identities and many have overlapping memberships. Frances Morrell, a founder of the Campaign for Labour Party Democracy and destined forever to be labelled as a "former adviser to Mr. Benn," also works closely with the Labour Co-ordinating Committee, which is the Far Left's main vehicle for promoting its "alternative economic strategy." At Westminster, Reg Race, Michael Meacher, and Joan Maynard, the president of both the CLPD and the RFMCLD, are, along with Tony Benn himself, ubiquitous figures on the Far Left. Other groups within the fold include Clause 4; the Institute for Workers' Control; Labour Action for Peace; the Labour Party Young Socialists; the Socialist Campaign for Labour Victory; the Socialist Education Association and, most controversially of all as many moderates believe it has no place in the Labour Party, the Militant Tendency.

The groups have different specific aims—the CLPD has long been the Left's leading pressure group for constitutional changes, for example, while Labour Action for Peace is, as the name suggests, dedicated to unilateral disarmament. There is also considerable friction among them, which some members fear could seriously undermine their future effectiveness. For example, some supporters of the LCC feel that the Rank and File has stolen its role. In an appraisal of the task ahead for the RFMC now being circulated to supporters, its secretary attacks the "unequal commitment" of some organisations. Meanwhile, the activities of some militants are a continuing irritant to other members of the Rank and File Mobilising Committee, which has a mailing list of 1,500.

What unites them all is a belief that the only way to get a Labour government to implement proper socialist policies is by increasing the influence of the party over key decisions and an open hostility towards the great majority of Labour MPs. At some meetings, the mere mention of the Parliamentary Labour Party produces the same kind of hiss which goes round a Tory conference when Tony Benn is mentioned. Michael Foot, who they campaigned for in the party leadership contest, is now regarded by many as a "disaster."

This hostility is founded on a deep-seated suspicion which, in its present strain, goes back to the days in power of Harold Wilson. Since then, says the CLPD, the parliamentary leadership has persistently ignored the views of conference, and so produced a spontaneous demand among local activities for party democracy.

The rank and file committee's aim is to establish the sovereignty of internal party democracy. Party activists would therefore exert a continuing authority over MPs, who would, in turn, exercise authority over the parliamentary leadership. All the Left's goals —automatic reselection of MPs, the election of the leader by a wider franchise than just MPs, and removing the parliamentary leadership's veto over the contents of the manifesto—fall within this broad framework.

Labour moderates argue that what the Far Left wants inevitably undermines parliamentary democracy, in that it asserts the rights of a minority of party activists over the wider electorate. But CLPD members insist that the reverse is true: they believe that parliamentary democracy rests on the party system which, in turn, rests on MP's sticking to the commitments they made to the electorate through the election manifesto. In the same way, they reject the Right's claim that the Far Left does not want another Labour Government unless it is one totally committed to their kind of socialism.

Partly as a justification for their own failures, the moderates tend to attribute almost superhuman powers of organisation to the Far Left. Certainly, Militant is highly organised with its own paid-up staff and newspaper. But none of the other groups has anything like the resources of Militant. Instead, they rely on their supporters—many of them young—to give a great deal of time to the party. For some, the seemingly endless meetings are an important part of their social life and the bewildering array of initials which stand for the various groups ripple off their tongues with the ease of a civil servant discussing the Honours' List.

Neither the CLPD or the LCC set out to control constituencies in the same way as Militant, an avowedly Marxist organisation. In many constituencies—and almost more importantly the union branches—their members are very influential. The CLPD, for example, has Mr. Bernard Dix, assistant general secretary of the National Union of Public Employees, as one of its vice-presidents. Members go to branch meetings regularly and are well briefed through the Left's many newsletters. They know the arguments and how to vote. They are also advised on how to ensure that their delegates vote the same way at the next level of decision-making in the party. One of the RFMCLD's organisers claimed after the Wembley Conference that every union which had voted in favour of the successful form of electoral college had been tied by a conference decision. Already, the CLPD is drawing up model resolutions for this year's party conference.

The groups are fully prepared to use the constitutional changes they have already got through the party, as was shown during the leadership contest when the LCC advised local parties to check their MPs' ballot papers to ensure that they had not voted for the hated Mr. Healey. Reselection will be a powerful weapon in their hands in the same way as the annual elections for the National Executive Committee already are. Left-wingers on the executive, such Mr. Eric Heffer, cannot afford to antagonise the Far Left too much.

For the whole of the Labour Left, ranging from the old Bevanite Left in the Tribune Group at Westminster to the pressure groups on the Far Left, is currently re-appraising its tactics. Mr. Hattersley and his colleagues are hoping to build on the view shared by a fair number of Tribunite MPs, as well as trade unions, that things have gone quite far enough and that the party is inflicting serious damage on itself. There are some signs that this view may split the old alliance on the Left—Mr. Heffer, for example, no longer makes it a secret that he dislikes being seen as Mr. Benn's lesser half. At the same time, Mr. Benn has shown himself a little more willing to compromise.

But Mr. Benn is not about to give up his campaign for party democracy. He seems increasingly interested in the whole question of trade union democracy and looks like continuing to press for the introduction of recorded votes as a means of checking up on MPs and local councillors. He also wants to strengthen the links between the Tribune Group at Westminster and the unions. Moreover, the RFMCLD is likely to press for further changes.

In its current strategy review, the RFMCLD puts forward a number of areas for discussion, including its long-held belief that Labour MPs should elect the Cabinet when Labour is in office and the idea, bitterly resisted by moderates, that local activists should be able to elect the leader of the Labour groups on councils.

The discussion paper also talks about the need to ensure that the Labour Party manifesto contains policies agreed by conference, though, significantly, it does not explicitly demand that this issue—the Left's only real defeat at last year's conference—should be raised again this year. But the paper does indicate that Mr. Benn will be under pressure from the rank and file this autumn to stand against Mr. Healey.

Mr. Foot, who was elected Labour leader on a unity ticket, must be desperately hoping that this year's party conference will not be dominated by infighting. Some omens are in his favour. Post-Wembley remorse has affected people normally as disparate as Mr. Heffer and Mr. Healey, as well as some of the big unions. The departure of the members of the Council for Social Democracy could encourage those who remain to close ranks, however much they disagree.

The organisers on the Far Left are themselves aware of the potential cracks within their own ranks. But they do not intend giving up their gains easily. As one member of the RFMCLD said yesterday, "To talk of party unity is sheer nonsense when the Right is about to launch an attack on a decision we fought hard to achieve."

Terry Kirk

A crusade is being launched to recapture the power bases of Mr. Heffer (centre) and Mr. Benn. But it is unlikely to convince Mrs. Williams.

Letters to the Editor

Pit closures and heat pumps

From the Chief Executive, Eastwood Heating Developments

Sir,—The current recession has exposed more clearly than ever the Government's lack of any coherent energy policy. The country is now a net exporter of energy, and yet instead of capitalising on this new national capability, the Government insists on treating energy as though it were akin to the manufacture of shoes, to be shut on or off according to demand.

The return on the extraction of natural resources in the UK at current prices is marginal or non-existent. But it is the subject of considerable investment in other parts of the world, for example shale oil, ever deeper sea drilling, production of alcohol for fuel etc. The National Coal Board appears determined prematurely to close pits even where the cost of extraction is considerably lower than in these overseas projects. Once closed, the pits are lost forever and yet the net return to the nation, offset against redundancy and unemployment pay, of keeping them open would be higher than new investment in marginal energy resources. If the NCB argument is that manpower and capital resources can be released by these closures to open up more viable resources it would be a different matter. But there is no evidence of this kind of entrepreneurial flair on its part.

The Government continues to condone the squandering of the one natural resource that is both reliable and exportable. There are still 900,000 houses in the UK burning oil for central heating, wasting an estimated one month's North Sea oil production each year. This cannot be replaced directly by burning solid fuel in the home. The electrically powered heat pump does however provide the means of replacing oil with low grade power station quality coal. The heat pump extracts heat from the atmosphere at an overall efficiency during the heating season of 1 kw of input to 2½ kw of heat output. Taking into account the generating efficiency of coal, oil burnt in homes for heating could be replaced by 10m tonnes of coal p.a. burnt in power stations to generate heat pumps. This would release some 900m gallons of oil for export or chemical feedstock.

It may be naive to expect the government to promote heat pumps actively as the German, French and Scandinavian Governments have done by cost subsidies of 25 per cent or tax deductibility for individual investment. It is however not unreasonable to expect the Government to take note of the fact that some 40,000 domestic heat pumps were installed in Germany last year compared with under 1,000 in the UK, and to give active moral support to a "new" manufacturing industry.

Meanwhile funds must be found to finance the stocking up of coal produced from pits which while currently unprofitable, are producing energy at a price lower than many sources being considered, to make provision for both this country's and Europe's future energy demands. This is a far better choice than paying out the money in miners' redundancy and unemployment benefit.

W. J. Eastwood
Eastwood Heating,
Portland Road, Shirebrook
Mansfield, Notts

Efficient data protection

From the Director-General, Computing Services Association.

Sir, — It is good to see that you are continuing to give prominent publicity to the absence of data protection legislation in the UK. Guy de Jonquieres (February 10) mentions that this Association is studying the adverse impact this could have on the international trade of our UK computing services companies. We know already that there was no loss of trade from this cause among the $7bn of computer service business of 13 European nations, including the UK, in 1980. We also know, however, that the absence of data protection legislation will cause a rapidly increasing loss of business from about 1982 onwards.

The flow of data across frontiers will increase immensely as a consequence of the advances in microelectronics and information technology. France, West Germany, Sweden, Denmark, Austria, Luxembourg and Turkey this month signed a convention of the Council of Europe which provides for protection of personal data kept on computer files; it is vital for the growth of our international services in information technology that the UK should also sign this convention and thereby confirm our intent to implement some minimum legislation for simple and effective data protection.

Once the problem of data protection has been settled, the UK will then be in a much stronger position to contest the real factors which will limit trade and restrict transborder data flow in the future. These include such hidden tariff barriers as unrealistic local standards and self-interested regulations imposed by the telecommunication authorities.

(Dr.) D. A. Eyeions.
5th Floor, Hanover House,
73-74, High Holborn, WC1.

Accounting for bank profits

From Mr. A. Pakenham-Walsh

Sir,—Dr. Shaw (February 11) writes "the best we can say . . . is that the banks are in relative terms at least as profitable as other sectors of the economy." In reaching this point he relates the ups and downs in relative profitability 1976-1977 to the tax advantage of stock relief for non-banking sectors and the 1977-1978 advantage to banking profits of applying SSAP 15 on deferred taxation which enabled the banks (and others) to reduce their tax charge.

These two 'advantages' are of quite different kinds and cannot, in statistical decency, be opposed as if they were likes. Stock relief proved to be a real advantage in reducing corporation tax payable for the periods in question. The accounting standard, by contrast, permitted a change in accounting for deferred tax but did not, and does not, affect the tax payable then, now, or in the future.

Any bank which availed itself of SSAP 15 may have reduced its tax charge and thereby increased its reported net profit; but this was an accounting effect and not a real effect. The underlying profitability of banking was not affected by SSAP 15. By availing themselves of SSAP 15 banks and others simply transferred earlier over-provisions from deferred taxation account to retained earnings account

Amory Pakenham-Walsh.
Trinity College,
Dublin 2, Ireland.

Reform of the EEC

From the Director, The European Movement (British Council)

Sir,—Mr. Teddy Taylor MP is absolutely right in claiming (February 13) that the anticipated exhaustion of EEC funds provides a unique opportunity for the reform of the European Community, particularly its agricultural policy and budget. But his suggestion that the UK's own relationship with the EEC should be reformed is one certain way of weakening our bargaining position with our partners. Only if we are committed members intending to stay and play our full part will our partners listen to us.

Ernest Wistrich
The European Movement (British Council),
Europe House,
1A Whitehall Place, SW1.

Public sector borrowing

From Mr. C. Williams

Sir,—Has Lex (February 12) missed the point about excluding the borrowings of public corporations from the public sector borrowing requirement?

The reason for the change in the Government's view of the nationalised industry's borrowing is, surely, not that it has decided to fudge the medium term strategy. The Treasury at last appears to be beginning to appreciate that borrowing for investment within the public (or semi-public) sector is not the same as borrowing to pay for increased current expenditure. An increase in money supply can result from a nationalised industry borrowing from a bank to finance investment. Money supply will also be raised if the bank lends to Government to pay for current spending or if money is lent to private industry. The Government must be concerned with the overall growth in credit in the economy whenever it occurs.

Unfortunately borrowing to finance investment in the public sector has been squeezed because it is public sector borrowing whereas it should be placed under less severe constraints because it is being used to support investment. Government should be worried about the composition of public expenditure as well as its magnitude.

Charles Williams (Economist).
National Council of Building Material Producers,
33, Alfred Place, WC1.

The Scott report

From the Presidents, Institute of Actuaries and Faculty of Actuaries

Sir,—In any economy suffering from the evil of inflation there can come a point where the injustices it creates are so evident that in the absence of statutory incomes controls the case for indexation becomes inevitable. While it may be argued that the process of indexation adds a further twist to the inflationary spiral, this is not a valid reason why those who are in a position to extort cost of living related incomes from the economy should be able to do so at the expense of all those living on "fixed" incomes (from whatever source).

Where this point arises and whether it is right that certain groups should be protected and other groups not, are political questions on which actuaries will no doubt be as likely as others interested in the issues to express differing points of view. These political questions are, however, distinct from the professional actuarial considerations which should serve to illuminate them and the Scott report is to be welcomed as providing a basis for an informed, as opposed to an emotive, public debate.

The Scott committee reminds us that the Government Actuary was concerned basically with assessing the lot of civil service pensioners compared with that of other comparable pensioners. His examination of pension schemes in employments analogous to the civil service demonstrated the extent to which their pensions had, or had not, kept pace with inflation and he was required to evaluate not the full benefit of index-linking, as many critics assume, but the value of the shortfall. Certainly, he was never asked to evaluate the financial benefit of job security in the public service, which is, of course, a separate issue from the debate on indexation.

As actuaries we welcome the endorsement given by the committee that the Government Actuary goes about his tasks in an entirely proper way and their rejection of the "evidence" publicised by the Centre for Policy Studies. It is the Government Actuary's duty to advise his principal, the Government, professionally and impartially, and the conclusions of the Scott committee in this regard should serve to strengthen the mutual confidence and respect on which such professional service can only be based.

D. D. McKinnon,
Faculty of Actuaries.
A. R. N. Ratcliff,
Institute of Actuaries.
c/o Staple Inn Hall,
High Holborn, WC1.

Index-link all capital gains

From Mr. S. Green

Sir, — I welcome Mr. Christopher's letter (February 12) on index-linking. As an intelligent man he will know that the logical corollary to his argument in favour of index-linking pensions is the requirement to index-link capital gains. He cannot, without the charge of hypocrisy being levelled against him, substantiate a case in favour of inflation proofing public sector pensions while still condoning the taxation of spurious gains allegedly made by those who can only provide for their retirement through the sale of assets acquired during their working lifetime. We shall now look forward to the not inconsiderable weight of Mr. Christopher and the Inland Revenue Staff Federation being placed behind the campaign to index link all capital gains.

S. J. Green.
Fraser, Green,
2, Friars Lane,
Richmond, Surrey.

Pensions funding

From the Assistant General Manager (Pensions), Legal and General Assurance Society

Sir,—To appreciate the eccentric logic in Mr. Nottage's lengthy letter of February 10 it is unfortunately necessary to work through its stages.

It is a fact that, as the National Insurance scheme is a pay-as-you-go scheme, its current cost is determined by the current outlay on benefits. It is Mr. Nottage's denial of this which starts him on his subsequent circuitous path.

He quotes the Government Actuary's remarks about the general NI contribution rate (taken from the report on the financial provisions of the Social Security Pension Bill 1975). The contribution rate does not, in fact, determine the cost of the scheme, since reduced contributions are paid in respect of 10m contracted-out employees. The relevant part of that report is not quoted by Mr. Nottage, but it shows that the extent of contracting-out has no initial effect on the cost of the scheme, but subsequently reduces the rate of increase in cost as it reduces the benefits payable.

In his third stage Mr. Nottage changes the subject to "the total cost to the nation next year." This change occurs at a distance of seven column inches from the original subject "the total cost of the National Insurance scheme" so perhaps the hope was that the substitution would pass unnoticed. Making the change enables him to add to the cost of the National Insurance scheme some part of the contributions to private pension schemes. (His figure is wrong, since he ignores the fact that the civil service scheme and some other public sector schemes, which are contracted-out, are also pay as you go). All this demonstrates, in reality, is that funded schemes adopt a higher initial contribution rate in order to avoid the sort of increase in costs which is now affecting the German and French pay-as-you-go schemes.

Mr. Nottage has a dogma, however, that funded schemes cost more than pay-as-you-go, which leads him to his final conclusion which is that it is "a monstrous piece of extravagant financing" for public sector employees to be contracted-out of the state scheme. Here too he ignores the public sector schemes which are pay-as-you-go.

With regard to those which are funded, perhaps the best comment on the allegation of extravagance is the view expressed by the Wilson committee on the even more drastic suggestion that public sector schemes should abandon funding altogether: "We find it difficult to determine, however, whether the effect would be other than presentational, given that the public sector's demand for real resources would not be directly affected." That is the conclusion of economic reality.

W. A. Sibly.
Legal and General Assurance Society,
Temple Court,
11, Queen Victoria Street, EC4

Today's Events

GENERAL

UK: Sir Terence Becket, Confederation of British Industry, director general, opens "Small firms—big ideas" exhibition, Design Centre, Haymarket, SW1.

Tate and Lyle shop stewards lobby MPs about closure of Liverpool refinery.

Conference Business conference and exhibition opens (to February 18), Royal Lancaster Hotel, W2; speakers include Mr. Clive Jenkins, ASTMS general secretary, and Mr. Michael Bell, Oyez Group managing director.

Prince Charles visits offices of The Economist.

Sir Ronald Gardner-Thorpe, Lord Mayor of London, attends Institute of Building dinner, Guildhall.

Overseas: King Juan Carlos of Spain starts two-day visit to Washington, meets President Ronald Reagan.

EEC Foreign Affairs Council meets in Brussels to consider relations with Japan and the U.S.

PARLIAMENTARY BUSINESS

House of Commons: Supply Day debate on closure of Talbot Linwood plant. Opposition motion on effect of EEC sugar proposals on UK refineries and the economies of developing countries.

House of Lords: Industry Bill, *second reading*. *Contempt of Court Bill, third reading*. Debate on EEC environment policy.

Select Committee: Energy, on industrial energy pricing. Witnesses: National Union of Mineworkers, Room 6, 4.15 pm.

OFFICIAL STATISTICS

January cyclical indicators for the UK economy.

COMPANY MEETINGS

Hardys and Hansons, Kimberley Brewery, Nottingham, 12. Kelsey Industries, Wood Lane End, Hemel Hempstead, Herts, 11. Oakwood Group, Fairfield Halls, Croydon, Surrey, 11.30.

Tring Hall to bring Euroflame to USM

BY IAN RODGER

Euroflame Holdings, a distributor of wood and coal burning stoves and cookers, is coming to the Unlisted Securities Market by way of a placing of 1.1m ordinary 20p shares, 32.7 per cent of the fully diluted share capital, at 30p a share.

At the placing price, the company is valued at slightly more than £1m.

Tring Hall Securities acquired a 75 per cent stake in Euroflame, then a company which had not begun trading, last October for £375,000. Mr. J. A. Viall, the chairman, bought 20 per cent and Mr. I. W. Jones 5 per cent. Euroflame then bought for £500,000 Le Feu de Bois, a company formed by Mr. Jones in 1976 to import and deal in stoves and cookers. The group also includes a small company that began distributing cooling equipment for wines last March.

The company mainly markets the Efel brand of wood and coal burning products of S.A. Fonderies du Lion N.V. of Belgium but also represents three other European makers and Smith and Wellstood in the UK.

Turnover of Feu de Bois has grown from £28,000 in the second half of 1976 to £1.57m in the full years 1979 and 1980. Pre-tax profit grew from £51,000 in 1976 to £278,000 in 1980. Eurocave made a pre-tax profit of £2,000 on turnover of £22,000 last year.

No profit forecast for 1981 is given but the chairman said yesterday he would be disappointed if the company did not make £450,000. The directors intend to pay a dividend on the ordinary shares of 2.1p in 1981, of which 1p will be an interim dividend.

Of the shares in the placing, 500,000 are being sold by Mr. Viall, 170,834 are being sold by Tring Hall and 62,500 are from Mr. Jones. A further 366,666 shares are new shares being issued by the company to raise £110,000, which will be reduced to a net £75,000 by the company's share of the expenses in connection with the placing.

Following the placing, Tring Hall will hold 55.57 per cent of the ordinary shares and Mr. Jones will hold 2.04 per cent. Mr. Viall will hold 6.52 per cent of the ordinary shares and 3,000 deferred shares which are convertible into 300,000 ordinary shares up to December 31, 1984 at par for the additional 297,000 shares.

The directors anticipate that there will be continued growth in the market for appliances which burn both wood and solid fuel.

Applications are being made for a quotation on the Unlisted Securities Market on Friday and dealings are expected to begin on the following Wednesday.

Brokers to the placing are Sternberg, Thomas Clarke and Co.

This is the first time that Tring Hall has brought a company to market in which it has previously acquired a majority stake. The placing values Euroflame at double the price Tring and its associates paid only four months ago for Feu de Bois but the sponsor expects profit growth in the coming year will enable it to sell off more of its interest later at a still higher price. The future for wood-burning stoves and cookers is not easy to assess; it is interesting that the company itself associates its products in its promotion material with the "wave of nostalgia (that) usually accompanies economic gloom." The fully diluted p/e at the placing price is 7.3 and the prospective yield is 10 per cent.

BAe share allotments

The offer for sale of 100m shares of British Aerospace at 150p a share has attracted more than 155,00 applications for 350m shares.

Applications for up to 700 shares will be allotted in full. Applications for 800-1,000 shares will be allotted 750 shares. Applications for 1,500-7,000 shares will be allotted approximately 37½ per cent of the amount applied for with a minimum of 800 shares. Applications for 7,500 shares and above will be allotted approximately 18½ per cent of the amount applied for with a minimum of 2,750 shares.

Letters of acceptance representing foreign-held shares will amount to approximately 5m shares, 2½ per cent of the issued capital. The Government retains a 48.4 per cent interest in the company.

Letters of acceptance will be posted by Thursday and dealings will begin on Friday.

Applications were received from 58,000 BAe employees, approximately 90 per cent of those eligible, for the 33 free shares offered to each. Some 27,000 employees also applied for many more than the 2,178,990 shares available at the offer price. The Government is providing an equal number of shares free of cost to employees who buy these shares.

Applications for up to 70 shares will be allotted in full and the remainder will be scaled down such that no employee will receive more than 220 shares.

CRYSTALATE ACCEPTANCES

The recent rights offering by Crystalate Holdings of £2.09m in 9½ per cent convertible loan stock has been accepted as to 85.58 per cent.

Drake & Scull dips but payout held

TAXABLE PROFITS of Drake and Scull Holdings, the electrical, mechanical and construction engineer, slipped from £2.63m to £2.17m in the year to end-October 1980, despite a near £22m rise in turnover to £94.7m. At midyear, pre-tax profits were £804,000, compared with £1.3m.

The directors point out that a substantial proportion of the reduction was attributable to a loss by one of the associated companies, while reduced operating profit margins reflect increased competition encountered during the year.

However, the dividend for the year is being maintained at 2.75p net with a same-again final of 1.5p.

The surplus for the year was struck after bank interest receivable of £277,000 (£345,000) and share of associates which showed a deficit of £51,000, compared with a profit of £300,000.

HIGHLIGHTS

Lex looks at the stock market's performance yesterday against the diverse backgrounds of a looming confrontation with the miners, an exceptionally strong balance of payments surplus last month, a powerful rise in the dollar and the allotment details of the British Aerospace issue. The column also looks at the prospects for the drug industry, analyses the ratings attached to the food retailing groups and comments on the outlook for Toyota after a year of falling profits.

Tax was much lower at £690,000 (£1.15m), resulting from proposed changes in the tax laws which means the group no longer has to provide for deferred tax (last year deferred tax took £901,000). The net surplus came through only £2,000 lower at £1.48m.

Not providing for deferred tax has released £868,000, which together with a net surplus of £551,000 arising from the sale of the group's interest in the Greyfriars Centre, Ipswich, leaves profits attributable to ordinary holders higher at £2.53m (£1.51m).

Stated earnings per share, before extraordinary items, are 6.2p (6.7p) and 13.8p (8.3p) after.

● comment

The rosy forecasts of last summer, which saw Drake and Scull making something over £3m before tax, have since been overtaken by the general tightening in the UK economy. In the circumstances, an 18 per cent fall to £2.17m pre-tax is not too disappointing and the dividend has been held, covered 2¼ times by the profit before extraordinary items. The shares gained 1p—to 34p—so they now yield 12.1 per cent. A fully-taxed p/e of 8.6 is not exacting. Order books stand close to their mid-year level of £175m, but they can shorten very quickly, and tentative forecasts are for a static performance in the current year. The dividend should be safe, even if the trading prospects are unexciting, as the balance sheet has been strengthened since last year's capital reconstruction by property disposals and the transfer of deferred tax reserves to shareholders' funds.

Brentnall Beard accounts qualifihd

BECAUSE OF the significance of a number of issues, Touche Ross and Co., the auditors of Brentnall Beard (Holdings), say they are unable to form an opinion as to whether the insurance broking group's 1979-80 accounts give a true and fair view.

The auditors point out that the Committee of Lloyd's has advised Brentnall Beard International, a subsidiary, that it proposes to consider whether it should take steps to prevent it continuing to carry on business as a Lloyd's broker.

The validity of the going concern basis, in accordance with which the accounts of the group and of the company have been prepared, might be affected if such steps were to be taken by the Committee of Lloyd's, they say.

Brentnall Beard (London) has also been included in the committee's consideration, although the Board understands that this is solely on the grounds that it is a fellow subsidiary of Brentnall Beard International.

Brentnall Beard International and another subsidiary, Brentnall Beard, are also involved in proceedings arising out of losses incurred by the Sasse Syndicate.

Amounts claimed against these two companies have not yet been quantified but the proceedings are being defended. Claims registered in respect of such losses are reputed to be in excess of £20m.

With other legal actions also pending against group companies, the auditors say that if any of these proceedings were to be decided against group companies, there could be a materially adverse effect on the financial position disclosed.

An action has been commenced in the Superior Court of San Francisco by three companies against numerous insurance underwriters and certain insurance brokers, including Brentnall Beard International, for total damages in the sum of US$5.66m, arising out of the underwriters' rejection of claims by the plaintiffs in respect of insurance of goods in transit.

Various group subsidiaries are engaged in defending claims brought by third parties in relation to disputed inter-company accounts and commissions arising from their dealings with such third parties. It is currently estimated that the total quantified amounts of these claims (excluding any counter-claims brought by the subsidiaries) is some £200,000.

In December, an action was begun by the group and Brentnall Beard (Canada), with CFW Investment Corporation, in the Superior Court of Quebec, against Robert Bradford of Canada with regard to a contract entered into in August, whereby Bradford agreed to take over the operations of Deslauriers Wilkin and Associates from September 1, 1980.

The amount claimed is C$760,000 damages, plus expenses incurred by Deslauriers on account of Bradford since September 1, which expenses at the date of commencement of action totalled C$88,797. Deslauriers has also been joined as a party to this action.

The auditors have also qualified the accounts in respect of provisions of £261,578, relating to business done in prior years, having been released. They say they are unable to determine whether it is appropriate to account for this income in the year ended September 30, 1980, as all problems relating to this business have not been resolved.

Mr. W. M. L. Fullerton, the chairman, says the still unresolved position regarding the committee of Lloyd's enquiry into the affairs of Lloyd's Syndicate No. 762, and the part which Brentnall Beard International played in the introduction of the business, continues to affect badly the company's ability to retain existing clientele and to obtain new business.

Until the company has received confirmation from the committee of Lloyd's that enquiries into this matter have ceased and, until legal actions have been settled to the company's satisfaction, it will continue to prove difficult to attract additional executives with the connections and abilities to help rebuild brokerage income, which is essential for long term success as a Lloyd's broker, he adds.

As reported January 15, the group incurred pre-tax losses of £725,207 (£1.2m) for the year ended September 30, 1980, but better results are expected this year.

At balance date, shareholders' funds had fallen from £1.16m to £0.64m.

Meeting, Winchester House, EC, March 9, noon.

Lloyd's Life Assurance to distribute £9m

BY ERIC SHORT

LLOYD'S MEMBERS, who are shareholders of Lloyd's Life Assurance, will receive £9m from the successful operations of the company in the 12 months to September 30, 1980.

The value of the Company's shares as at December 31, 1980, amounted to £5.50 per share against £3.25 at the end of 1979.

Membership of Lloyd's Life is limited to the Corporation of Lloyd's or any company directly or indirectly owned by it, or any person in his capacity as trustee of a Lloyd's Premium Trust Fund, or any other person approved by the Corporation.

Mr. Robert Kiln, in his chairman's statement, referred to a mixed pattern of new life business for the period under review. New annual premiums increased by some 50 per cent from £3.6m to £5.4m, but single premiums declined from £14.7m to £8.3m. Mr. Kiln pointed out that this latter business was notoriously volatile and the decline, though disappointing, was not unexpected in view of the economic climate and the favourable treatment given to unit trusts in last year's Budget.

Sales of the Isle of Man offshore operation continued to expand, with single premium of £7.4m against £1.6m, and annual premiums of £406,000 against £50,000.

Premium income received during the year amounted to £25.9m against £22m in the previous year, while investment income advanced from £5.4m to £8m. Claims amounted to £7.4m against £4.7m, while commission and expenses were £7.1m compared with £6.6m. Life funds at the end of the period stood at £79.8m against £61.6m at the beginning.

A sum of £500,000 was transferred to the profit and loss account reducing the deficiency to £101,729 at end-September, 1980, leaving £2m being carried forward.

Mr. Robert Kiln deplored the public debate and acrimony that had occurred between insurance industry bodies on the subject of commission, registration and other topics. The life assurance industry was in danger of becoming beset by bureaucracy and the sooner it got back to broking and underwriting the better.

MINING NEWS

Spring start for Quintette coal

BY GEORGE MILLING-STANLEY

CONSTRUCTION of the large Quintette coal project in north-eastern British Columbia is to start this spring, with production scheduled to begin in October 1983, according to Mr. C. H. Frame, president of Quintette Coal.

As reported here last month, the whole of Quintette's initial production of 5m tonnes of thermal coal a year has been bought by a consortium of Japanese steel companies.

The deal, which runs for 15 years from the start of production, is estimated to be worth around C$5bn (£2bn) to the partners in Quintette. These are Denison Mines with 33.25 per cent, Esso Resources Canada 16.75 per cent, Charbonnages de France 10 per cent, and Japan's Mitsui Mining and Tokyo Boeki each with 17.5 per cent.

The consortium of Japanese customers is headed by Nippon Kokan, and includes Nippon Steel and Kawasaki Steel.

The base price for the deal, as forecast, is C$75 per tonne for the total of 75m tonnes of metallurgical coal involved, and is subject to escalation for increases in certain components after April 1, 1981. The agreement may be extended by another five years beyond the current 15-year period at the same tonnage rate per year.

Noting that the base price was a little higher than the existing producer prices in the remainder of British Columbia, Mr. Frame said that the Japanese customers agreed to a premium in order to pay for the new infrastructure and higher capital costs associated with the initial development of the Quintette area.

The Quintette project will be the first major development in the north-eastern part of British Columbia, an area known to be rich in natural resources.

Mr. Frame said that full infrastructure facilities will be installed and supported by the company, including the new town of Tumbler Ridge, which will have an initial population of 10,000 people, new roads, and hydroelectric power services.

The development will require an investment of around C$800m by the Quintette partners, with a further C$700m coming from the federal and provincial governments for rail and port facilities.

A new branch line of the British Columbia Railway will be needed for trains carrying coal from the mine, which will transfer to an upgraded Canadian National Railways line leading to a new bulk coal terminal on Ridley Island, near the port of Prince Rupert on the British Columbia coast.

Mr. Frame said that the Quintette property contains more than 2.5bn tonnes of coal, including at least 350m tonnes in the Babcock and Sheriff open pits, from which the initial production will come.

The project will employ a workforce of 1,100 during the construction period, while the mine operations will provide some 1,400 permanent jobs.

Camflo finds high-grade gold ore at Malartic

THE CANADIAN gold producer Camflo Mines continues to report encouraging results from exploratory drilling into an adjacent property owned by Malartic Hygrade Gold Mines at Val d'Or in north-western Quebec.

It has now been established that the porphyry orebody Camflo has been mining since 1965 extends into the neighbouring ground. Camflo has mined nearly 6.3m tonnes of ore since the start of operations, at an average grade of 6.53 grammes of gold per tonne.

While in general the grade of the Malartic Hygrade ore is comparable to that found on the Camflo property, some unusually high grades have been encountered recently, reports John Soganich from Toronto.

The orebody currently being tested is a sill-like extension to the west from the northern part of the main porphyry, which extends into Malartic Hygrade ground starting at a depth of 2,000 feet below the surface. Camflo receives 40 per cent of the profits arising from the development of this extension to its orebody.

The latest results include a 27-ft thickness averaging 13.06 grammes of gold per tonne, a 22-ft thickness averaging 31.15 grammes per tonne and a further 22-ft thickness averaging 31.73 grammes per tonne.

Camflo started to develop the Malartic Hygrade property in December of last year. Its pre-production costs have been repaid from the milling of the development ore encountered, and the Malartic Hygrade operation is now making a regular operating profit, which is expected to rise as mining activity increases.

Lonrho outlines plans for House of Fraser

BY JOHN MOORE

Lonrho, the international trading conglomerate which has made a 150p per share cash bid for House of Fraser, the Harrods stores group, intends, if its bid is successful, to include directors on the Fraser board who have extensive experience of the Fraser group's operations.

Lonrho was making its observations in its offer document which it has dispatched to House of Fraser shareholders, detailing its 150p per share cash bid.

At the same time a circular has been dispatched by Lonrho to its shareholders summoning them to an extraordinary general meeting on March 4, at 10 am in Winchester House, to approve the bid.

Lonrho, which is Fraser group's largest shareholder with a 29.99 per cent holding, says in the offer document that it contends that the Fraser group "should become a major separate profit division within the Lonrho group with control and House of Fraser's headquarters continuing to be in Glasgow. Lonrho intends that the board of House of Fraser will continue

'Reject this derisory offer'

In a letter being sent to them today, shareholders of House of Fraser are advised by their directors to reject Lonrho's takeover bid.

The letter says: "You have probably now received Lonrho's offer for your shares in the House of Fraser. Lonrho's offer is totally unacceptable. Do not fill in your acceptance form. Hold on to your shares."

The directors say they will write to shareholders shortly to inform them on House of Fraser's profits and dividends for the year to January 31, 1981, together with details of the revaluation of the group's valuable property assets.

They say this will fully support their view that House of Fraser shareholders will be better off by retaining their shares—adding that they will give "other convincing reasons" why an investment in House of Fraser is worth so much more to shareholders than Lonrho's "derisory offer."

They conclude: "The wealth of House of Fraser belongs to you. Reject Lonrho."

as in the past to include directors with extensive experience of the Fraser group's operations and should continue to be structured to represent the divisional operations of House of Fraser."

It adds that after Lonrho's representatives on the Fraser board expressed concern over certain policy decisions, the stores group outlined a proposed "Trading Strategy for the Eighties." Lonrho says that it will be its intention "to review this basic strategy with the purpose of ensuring the growth of a healthy operation which will broaden the base of Lonrho's UK operations.

"Lonrho's objective is that future management policies will maintain the high quality of House of Fraser merchandise in order to safeguard the national reputation of the Fraser group, including, but not only, the unique international prestige of Harrods in London.

The Lonrho board does not expect the acquisition to result in any reduction in the planned level of employment in the Fraser group, and terms and conditions of employment, including pension rights, will be fully respected.

Acceptance forms for the offer should be returned by March 17. Last night advisers to House of Fraser, S. G. Warburg, the merchant bank, urged shareholders to take no action.

In the appendix to the offer Lonrho indicates that its borrowings at January 23, 1981, were a total of £554.99m while bank balances and cash stood at £132.72m.

Bank loans and overdrafts include £74.65m relating to the financing of export confirming.

Throgmorton takes 'legal precaution' in Keyser merger

BY ALAN FRIEDMAN

THE CONTROVERSY surrounding the Charterhouse Group takeover of Keyser Ullmann deepened yesterday as Mr. Maurice Elderfield, chairman of Throgmorton Trusts which are managed by Keyser, reaffirmed his belief that the £43m deal would lead to "conflicts of interest."

As a meeting of several Throgmorton directors continued last night, Mr. Elderfield stressed that Throgmorton, by contesting the enabling Parliamentary Bill to integrate Keyser and Charterhouse, was not seeking to block the merger. "We are taking a legal precaution," he explained.

Mr. Elderfield spelled out the conflicts of interest in terms of Throgmorton's investment decisions in relation to those of its new parent, Charterhouse. "If we are investing in the same companies as they are and if we want to sell, they could, for reasons of their own, prevent us from selling," he said.

This was because both Throgmorton and Charterhouse were involved in investing in small quoted companies. He added that Charterhouse acts as corporate advisor to some of the same companies. "Automatically there is a conflict of interest."

Mr. Elderfield said the petition against the Parliament Bill was necessary to ensure a resolution of current negotiations between Throgmorton and Charterhouse. "You can not just allow people who are in conflict of interest to take over the running of your business and still say you are protecting the shareholders' interests," he argued.

Throgmorton could not allow the takeover to "go through by default" and was still seeking a release from its three-year contract with Keyser Ullmann and Charterhouse within six months.

Mr. Elderfield said the meeting of certain Throgmorton might continue this morning and recommendations to the board of Throgmorton Trusts would follow.

Thomson T-Line in talks

Thomson T-Line Caravans, the lossmaking Scottish caravan manufacturer which has been looking for a buyer since last May, yesterday called a halt to dealings in its shares on news that talks were going on which may result in an offer being made for the company.

It was also disclosed that J. F. Nash Securities, an industrial conglomerate, had sold its 11.5 per cent stake in Thomson. Nash, which is in the process of hiving-off its Reliant Motor subsidiary, has held a stake in Thomson for some years but built it up from 9 per cent to 11 per cent last June. Nash sold its Gailey caravan subsidiary to Black and Edgington in August 1978.

A large part of Nash's holdings was understood to have been picked up by Mr. Bob Morton and Mr. Alec Merritt who sold their Euro-Exhaust company to Kwik-Fit for £10.5m just over a year ago.

It was announced yesterday that Mr. Morton and Mr. Merritt had each acquired a 4.94 per cent stake in Thomson (a total of 160,000 shares). Both of them had joined the Kwit-Fit Board last year but Mr. Morton left the company in November following "disagreements with the chief executive."

Margetts and Addenbrooke, East Newton, stockbrokers, disclosed that they purchased on February 10, 30,000 Thomson shares at just over 55p on behalf of a discretionary investment client.

Last May, Mr. David Thomson, the chairman of Thomson T-Line asked Kleinwort Benson, the merchant bank, to find a purchaser for the 60 per cent stake in the company controlled by him and his family. Mr. Thomson said then that he had passed the normal retiring age and he believed that the next stage of Thomson's development should be in other hands.

On this announcement the shares gained 3p to 68p. At yesterday's suspension price of 67½p, the company is valued at just over £1m.

Mr. Thomson said yesterday that there had been no lack of interest in the company. Other approaches had come to nothing because they did not satisfy the conditions set down for the sale of the shares.

He said he wanted to ensure the continuity of the business. He was looking for a company which could introduce some sort of other manufacturing operation allied to Thomson's to utilise the company's spare capacity.

Mr. Thomson said that a further announcement would be made when the deal was finalised, which was expected within the next two weeks.

In 1979 Thomson showed an increased loss of £271,830 (£148,252) and in the first half of the current year recorded a deficit of £126,399 (£22,663). Reporting the interim figures in October the directors blamed reduced sales of touring caravans and the high level of bank interest rates for the loss.

Warning for Sizewell holders

Shareholders of Sizewell European Investment Trust, which is the subject of an agreed bid from J. Rothschild International Investments, are warned that the policy of the RIT associate is "to seek long term capital appreciation and not to maximise income."

Shareholders have the option of taking either "A" shares in Rothschild or cash. If they take cash, the offer document notes, they should be "able to reinvest to produce a higher income."

JRII was established in Panama in 1978 to create an actively managed international portfolio. This will increasingly trend towards "special situations" which may be unlisted and not readily remarketable.

Among those already owned are Dawsea, a North Sea oil drilling consortium; Maritime Oil Corporation which explores in Canada and the U.S.; Agrigenetics, a U.S. company specialising in the development of seeds; and Regitur, the commodity and currency futures investor.

Countryside Properties to take 40% of new venture

BY MICHAEL CASSELL

Countryside Properties is to have a 40 per cent stake in a new joint company being formed to purchase one of the group's current developments.

Barlow Holdings, the plantation and investment group will also have a 40 per cent share in the new company—to be known as Countryside Investments—and the remainder of the equity is to be taken up by Majedie Investments, the general investment group which has several members of the Barlow family on its board.

Countryside Investments has contracted to purchase for £1.82m from Countryside Properties the main shopping element of the neighbourhood centre now being built at North Melbourne, Chelmsford, Essex. The scheme, for which an agreement to let on lease for 35 years has been arranged with Key Markets, is due for completion in April and will provide 38,000 sq ft of retail space and parking for 220 cars.

Both Barlow and Majedie are understood to have holdings in Countryside Properties, which combined are thought to run to over 5 per cent. Mr. Alan Cherry, deputy chairman of Countryside, said that both the partners in the new company had expressed a desire to participate in direct property investment and development and that the new partnership could lead to further similar decisions in the future.

Countryside, which is better known as a housebuilding company, wants to expand its property development activities. Mr. Cherry said the company had relied quite a lot on borrowed capital and the new investment company would help provide finance and leave Countryside with a lasting stake in its development at Chelmsford.

Johnson Matthey buys last part of Burrell

JOHNSON MATTHEY, the precious metal refining group which also has substantial interests in ceramic colours and pigments, has agreed terms with the receiver of Burrell & Co for the purchase of the major part of the assets of Burrell Colours.

Burrell called in the receiver last August after three years of losses. In 1979 the deficit was almost £800,000 which the company blamed on pressures of the recession and price cutting in the international pigment market.

This latest disposal completes the sale of the whole business by the receiver Mr. Ian Isaac of Touche Ross & Co. Last month it was announced that Mr. Leo Liebster, the former finance director of Burrell had acquired the lead chrome pigment factory through his new company Stratford Colour backed by Development Capital and the National Coal Board Pension Funds.

Mr. Harry Lovell, a director of Johnson Matthey, said that the price paid for the business would be announced later this week. The deal includes some real estate and the final consideration depends on an assessment of the value of Burrell's stocks.

Mr. Lovell said that it had been the group's intention for some time to extend pigment manufacture from purely inorganic to organic. "The plants in the industry occupy all the high ground but there is a lucrative middle ground for small batches rather than big volume," he said.

Johnson Matthey had been keen to get into this area and approached the receiver when he was seeking a buyer for the subsidiary. Johnson's first bid was topped by a U.S. company which subsequently pulled out.

Burrell Colour has two factories—at Millwall and Stockport in Cheshire—capable of providing employment for 100 people. Mr. Lovell said that Jonson will *not need*—the administrative establishment that Burrell had and there would be rationalisation in other areas.

The Burrell directors intend to make a statement in due course once the final position on the group's sale is clarified and in the meantime shareholders are advised to await this statement before taking any action.

SPAIN

February 13	Price %	+ or −
Banco Bilbao	295	+8
Banco Central	338	+3
Banco Exterior	282	+2
Banco Hispano	278	+6
Banco Ind. Cat.	125	
Banco Madrid	141	
Banco Santander	348	+4
Banco Urquijo	185	+2
Banco Vizcaya	314	+2
Banco Zaragoza	240	+7
Dragados	121	+2
Espanola Zinc	55	+2
Fecsa	58.2	
Gal. Preciados	33.5	−1.5
Hidrola	69.2	
Iberduero	58	+2.3
Petroleos	98	+2.3
Petroliber	70	
Sogefisa	102	
Telefonica	60.5	
Union Elect.	64.5	−0.7

Westminster and Country improves

STRUCK AFTER almost trebled interest charges of £210,000, against £76,000, pre-tax profits of Westminster and Country Properties rose from £156,000 to £176,000 for the six months to October 31, 1980. Turnover of this property investment and development group doubled to £1.39m.

Pre-interest profits jumped from £232,000 to £386,000, of which £178,000 (£98,000) related to property rentals, with the balance of £208,000 (£134,000) sales. The Board says a satisfactory increase in rental income has been achieved in accordance with the group's stated policy and an active development programme is being carried out.

Earnings per 35p share increased from 2.9p to 4.3p and the net interim dividend is being stepped up by 0.25p to 1.25p—last year's total payment was 3p on taxable profits of £428,000.

On the basis of current projections, there will be no tax charge for the 1980-81 year and therefore no provision has been made in the half-year accounts (£60,000 last time).

The interim dividend absorbs £41,000 (£33,000) leaving a retained balance for the half year of £135,000, compared with £63,000.

Futura sees slight fall

Unaudited 1980 pre-tax profits of Futura Holdings, footwear maker and distributor, are expected to be around £148,000, compared with £161,118 previously.

At half-time, losses before tax had increased from £44,828 to £157,349, but the Board expected that this position would recover by the year end although full year profits would be less than in 1979.

In this year's accounts there will be a further transfer to reserves as the net result of extraordinary items, which include new deferred tax provisions no longer required under the new stock relief proposals.

Profit margins are still being eroded, while charges for power, fuel, rates and expenses, beyond the Board's control, escalate. However, the company has a reasonable order book and it is hoped to offset some of these additional costs with improved efficiency.

MURRAY MINOR

The share listing Murray Minor Investment Trust has been cancelled at the company's request and the trust has been placed into voluntary liquidation following the resolutions regarding unitisation passed at an EGM

Smallshaw expects to halt profit decline

Following a fall of £168,293 to £172,417 in taxable profits in 1979-80, Mr. R. F. Smallshaw, the chairman of R. Smallshaw (Knitwear), tells shareholders in his annual report that he does not anticipate any further deterioration in profits in the current year.

He says that since the financial year end, the group's bank loan and overdrafts have been reduced to a more reasonable level and he expects this position to be maintained.

At year end, these items had stood in the balance sheet at £729,552, compared with £521,759. Shareholders' funds were £1m (£0.96m).

Mr. Smallshaw says that over the past year, a most difficult period, the directors had needed to give constant consideration to maintaining competitiveness and restricting overhead increases and a decision was taken to make a number of employees redundant, including over 30 unproductive staff.

He points out that group factories are operating below full capacity with a very short order book—adding that this has been the pattern for the past 12 months and it will continue until business improves.

Mr. Smallshaw says that the Mill Hill Knitwear offshoot suffered during the year from a decline in orders received from its main customers, although this was partially offset by securing a contract to supply a further major chain store group with fully fashioned knitwear.

A certain amount of success has been achieved with the production of dresses and children's wear and there are encouraging signs of considerable expansion of trade on the Continent, the chairman explains.

He adds that the bulk of trade will continue to be with the larger stores and little improvement can be expected until retail sales recover.

The Castle Knitwear subsidiary had the double misfortune of a severe fall in demand for its products and the financial failure of two substantial customers resulting in a loss for the year.

Reduced loss midyear expected by Homfray

THE COSTS of the adjustments the carpet industry has been forced to make have been extremely high for Homfray and Company but Mr. D. E. Gillam, the chairman, says the can now see signs of recovery.

In his annual report to shareholders he says it is anticipated that the first half of the current year will show a reducing loss.

Mr. Gillam comments that the full benefits of closures, reduction in overheads and the introduction of new ranges should flow through to enable the group to regain the volume of sales which have been lost while the modernisation and streamlining has been taking place.

He adds that it is the directors' intention to sell the large industrial complex at Birstall, which covers about 26 acres, together with a further 33 acres of land to radically reduce the company's borrowings.

They also expect to dispose of other smaller properties which are no longer essential for the business.

Mr. Gillam says the current financial year should see improved results from the Australian subsidiary largely as a result of the Australian Government's determination to give some measure of protection to the country's carpet manufacturers against competition from suppliers, principally from North America, whose manufacturers are benefiting from the fall in the value of the dollar and the artificially low price of energy.

As reported on December 18, losses before tax of the group for the year ended September 27, 1980, almost quadrupled from £1.08m to £4.27m on external sales down from £39.44m to £29.19m. There was no dividend for the year (1p net).

At year end shareholders' funds were £13.46m (£17.77m).

Meeting, Ossett, March 12, at 11 am.

BOARD MEETINGS

The following companies have notified dates of board meetings to the Stock Exchange. Such meetings are usually held for the purpose of considering dividends. Official indications are not available as to whether dividends are interims or finals.

TODAY

Interims:—Abercom, Impala Platinum, Manson Finance Trust, Reliance Knitwear, Joseph Webb.

Finals:—First Scottish American Trust, Inveresk, Ernest Jones (Jewellers), Meldrum Investment Trust, Vereeniging Refractories.

FUTURE DATES

Interims:—
Harrisons Malaysian Estates ... Feb. 25
Epicure ... Feb. 18
Plessey ... Feb. 26
Sime Darby Berhad ... Feb. 19
Smith Bros. ... Feb. 19

Finals:—
AI Industrial Products ... Feb. 26
Allan Harvey and Ross ... Feb. 27
Fisons ... Mar. 2
Investment Trust of Guernsey ... Feb. 25
London and Lomond Invest. Tst. ... Feb. 18
Transport Development ... Mar. 12
Vantona ... Feb. 24
†Amended

Deborah Services rises 2%

TURNOVER OF scaffolding contractor, Deborah Services jumped from £9.6m to £14m for the six months to September 30, 1980, while in the face of fierce competition, pre-tax profits edged ahead 2 per cent from £746,000 to £760,000.

With the benefit of long term contracts and the company's continued involvement in North Sea oil, the directors say the outlook for the rest of the financial year is satisfactory. They are confident in its ability to maintain and improve profits despite the world recession.

The net interim dividend is raised from 1.1p to 1.21p per 5p share, payable March 18—the previous year's total was 3.85p from taxable profits of £1.49m.

The company's shares are traded in the market made by M. J. H. Nightingale and Co.

First-half shortfall forecast by Deanson

INDICATIONS WERE that first-half 1980-81 profits of Deanson (Holdings), printer and packager, would show a reduction compared with the same period last year, Mr. J. Wilcox, the chairman, told the annual meeting.

The shortage of orders mentioned in his annual statement had continued in all divisions since September 30 last and the present position was extremely worrying, he said.

Pre-tax profits for the year to end September, 1980 rose from £215,314 to £250,958, in spite of lower turnover of £4.6m (£4.81m).

Mr. Wilcox said the Board was very conscious that large sums of money had been spent over the last few years on capital expenditure to improve the group's profitability, and it was concerned that present economic conditions were seriously affecting profits.

Economies were being made wherever possible, and the Board was endeavouring to raise turnover, either by acquisition or by more vigorous selling methods. A lot, however, would depend on conditions outside the group's control and it was to be hoped that the economic climate would change in the near future.

Regarding acquisitions, the group had investigated several possibilities since the end of its financial year, but none of these had yet reached a stage where the chairman could give any details. He was hopeful, however, that he might be able to do so in his half-yearly statement.

LONDON TRADED OPTIONS

Feb. 16 Total contracts 708

Option	Ex'rcise price	April Closing offer	Vol.	July Closing offer	Vol.	Oct. Closing offer	Vol.	Equity close
BP	390	26	5	44	—	60	—	598p
BP	420	15	25	28	—	44	2	"
BP	460	7	1	14	—	—	—	"
BP	500	2	—	8	2	—	—	"
Com. Union	140	13	2	17	—	23	—	148p
Com. Union	160	5	—	8	—	13	—	"
Cons. Gold	500	—	—	15	5	20	3	426p
Cons. Gold	550	—	—	5	—	8	—	"
Courtaulds	60	3½	—	6½	—	8½	30	56p
GEC	600	50	10	76	5	100	—	630p
GEC	650	19	15	47	—	70	—	"
Grand Met.	140	26	10	33	—	37	—	160p
ICI	280	24	—	—	—	52	10	292p
ICI	300	16	11	26	—	34	—	"
ICI	330	6½	—	16	10	—	—	"
Land Sec.	390	24	4	35	—	49	—	395p
Land Sec.	420	8	9	20	5	33	—	"
Marks & Sp.	90	36	25	—	—	—	—	123p
Marks & Sp.	100	26	25	31	—	—	—	"
Marks & Sp.	120	8½	260	15	25	21	—	"
Marks & Sp.	130	4	20	8	—	11½	—	"
Shell	420	16	—	30	—	40	1	410p
Shell	460	5	2	15	—	24	5	"
Totals			424		59		50	
		February		May		August		
Barclays B'k	420	4	—	18	5	30	—	398p
Imperial Gp.	70	8	—	8	1	12	—	78p
Imperial Gp.	80	1	—	4	—	5	—	"
Imperial Gp.	90	½	—	1½	10	2½	—	"
Lasmo	650	10	3	62	—	90	—	644p
Lasmo	700	½	1	39	—	66	—	"
Lasmo	750	½	—	20	1	42	—	"
Lonrho	100	—	—	6½	14	12	—	99p
P. & O.	120	3½	20	12½	10	16½	—	125p
Racal Elec.	300	41	21	55	—	66	—	340p
Racal Elec.	330	12	46	34	2	47	—	"
Racal Elec.	360	1	6	19	6	31	—	"
Racal Elec.	390	½	5	7	2	21	—	"
RTZ	394	18	11	—	—	—	—	398p
RTZ	394	—	—	35	6	46	—	"
RTZ	414	4	—	22	9	—	—	"
RTZ	454	½	—	12	1	—	—	"
RTZ	500	—	—	—	—	10	6	"
Totals			107		69		6	

Confident outlook at Blundell-Permoglaze

With a strong liquidity position, Blundell-Permoglaze Holdings, the paint and building materials group, remains firmly confident and intent on continuing its policy of building for the future, Mr. N. G. Bassett Smith, the chairman, tells shareholders in his annual report.

Liquid funds increased by £665,000 over the year, after a decrease of £380,000 in 1979, leaving group cash holdings at £1,046,064 (£449,274). There were no bank overdrafts at the year end (£67,876).

Capital expenditure at £1.2m reached a level far in excess of any previous year's investment, Mr. Bassett Smith says. The purchase of a new Dublin factory for £300,000 was largely financed through local borrowings.

Despite difficult trading conditions, the group's decorative division equalled last year's record profit in the UK with sales volume increased by 5 per cent. However the strength of sterling, together with the troubled situation in the Middle East, resulted in the first drop in export sales for many years.

New agreements were concluded with Sri Lanka and Cyprus in an attempt to improve income from licensing arrangements. Further efforts to hold established export markets and to gain new ones will continue over the coming years, the report says.

The effects of the recession throughout the UK reduced profits in the group's industrial division, and the depressed building market hampered progress in the building chemicals division.

However, Mr. Bassett Smith says that significant progress was made in the Republic of Ireland where the group considerably increased its market share, with profits markedly up on 1979. Production has now begun at the new Dublin factory and new stockists accounts have been open in all parts of the country.

As announced on February 6, taxable profits slipped from £2.19m to £1.84m in the year ended October 31, 1980, on sales up from £20.75m to £23.7m. On a CCA basis, pre-tax profit was £1.69m.

The dividend is being maintained at 4.8p net with a final of 3.2p (3.6p)—the interim payment was increased to 1.6p (1.2p) to reduce the disparity.

Meeting, The Connaught Rooms, WC, March 11, noon.

Brokers in merger talks

The partnerships of stockbroking firms Penney Castello Carlebach & Co. and Easton Watson & Smith say they are engaged in talks which could lead to a merger of their two firms.

DM 120m public bond for ECSC

BY FRANCIS GHILES

THE FIRST public foreign D-mark bond to be arranged since early December is being launched this morning for the European Coal and Steel Community (ECSC) through Dresdner Bank. This DM 120m 10-year issue carries a coupon of 10 per cent, the highest paid in seven years by a prime borrower.

The terms underline the deterioration in the D-mark foreign bond sector which has occurred since the German Capital Markets Sub-Committee decided in November to call a halt to new issues.

Since then yields on outstanding D-mark foreign bonds have increased by an average of 1½ to 10½ per cent.

Prices of D-mark bonds dropped again yesterday, by about ½ of a point under the combined effects of a weak currency and the continuing upward movement in German rates. The six-month Euro-Deutsche-mark rate has gained ¾ per cent to 10¼ per cent over the last week.

The high yields now available on seasoned D-Mark issues are not stopping a number of foreign investors from asking for their portfolios to be cleared of all D-Mark paper, according to bankers in both London and Frankfurt.

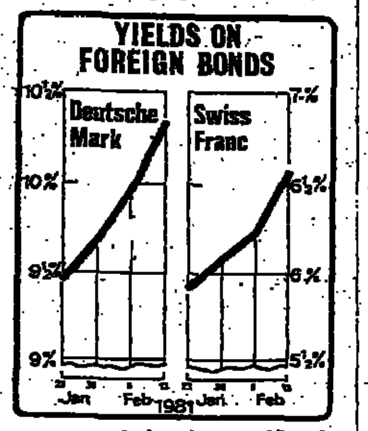
Swiss franc foreign bonds have also been hit by the strength of the dollar and rising short-term rates. Some recent issues, such as the 6 per cent World Bank bonds to 1991, dropped a full two points yesterday, although average falls were about ¾ points.

In the dollar market the only issue which started trading in the fixed interest sector yesterday—the 13½ per cent state guaranteed bond to 1986 for Canada's Eldorado Nuclear—shed a full four points from its issue price of 99¾.

The recent Ford Credit issue which carries a 16 per cent coupon for three years is holding up much better and was quoted yesterday at 99½-100.

Straight dollar bonds posted average losses of ¾ points, though longer-dated bonds were marked down more heavily.

YIELDS ON FOREIGN BONDS



Hungary to raise $150m

BY PETER MONTAGNON, EUROMARKETS CORRESPONDENT

HUNGARY is raising a $150m Eurocredit in the Middle East through a group of banks led by Arab Banking Corporation and Kuwait Foreign Trade Contracting and Investment Company.

The credit runs for an initial period of four and a half years at a margin of ⅝ per cent over London interbank rates. Thereafter, $50m will be repaid, but the balance can be extended for a further four years on the same margin.

If the Hungarian National Bank exercises this option it will pay an extension fee of ⅛ per cent. In addition, there is a front-end fee of ⅜ per cent.

The credit will be syndicated exclusively among Arab related banks and offshore banking units in Bahrain.

It is a general purpose borrowing, not directly related to oil imports. Hungary's strategy is understood to involve concentrating for the moment on this particular segment of the market. Later it is expected to return for additional funds from traditional Eurobanking sources.

David Lascelles, in New York, looks at the U.S. corporate experience in 1980 and prospects for 1981

Anxiety in U.S. over earnings outlook

THE AVERAGE U.S. company, battling with high inflation and interest rates as well as a see-saw economy, probably ended last year with its profits little changed from 1979. But quarter to quarter, it will have seen some wide swings: the first three months were booming, the second was crippled by the hammer blow of President Carter's economic squeeze in March. But the third and fourth quarters showed a steady improvement as the economy picked up again.

In fact, the fourth quarter was somewhat better than had been expected. The steel industry turned in some profits, General Motors (GM) came back into the black—just. And even the hard-hit chemical industry seemed to be on the rebound, though less among the base chemical makers than at the high value-added specialty chemical end. But the general picture was of sales gains being largely offset by rising labour and material costs. Some profits were also illusory—the result of inflated inventory values.

Steel owed its improved health to some extent to the drastic surgery it applied last year, though the 5 per cent GNP growth of the last quarter must have helped sales too. The hectic pace of energy exploration has also triggered an explosion in demand for steel stems and pipe which will usefully underpin the industry in the years ahead. But the non-ferrous metals industries were hard-pressed because of the weakness of housing and declining prices. Copper was also hit by a strike which failed to tighten the market.

As expected, the oil glut ended the spectacular growth in oil industry profits. Most of the majors had flat results in the fourth quarter. But the pressure was greatest on refining operations which were squeezed between rising crude costs and a soft market for products. As a rule, exploration and production activities are still racking up high earnings.

In the financial sector the commercial banks had to use their wits to turn a profit on spiralling interest rates, with mixed results. Citicorp was down 38 per cent, but Bankers Trust was up 36 per cent. The big victims, though, were the savings and loan (S and L) institutions, which had less room for manoeuvre and, in some cases, were forced to turn to the appropriate Federal agency for help. The S and L's difficulties bode ill for the housing finance market, which could become a pressing issue this year.

The insurance business is going through one of its cyclical lows, from which it may not re-emerge for a year or two. The only people who did well out of the financial turmoil were the Wall Street brokers, who reported record earnings from fees and commissions on the stock and bond markets.

GM's final quarter profit was cheering, though it was engulfed by the literally billions of dollars lost by Ford and Chrysler, and by the obvious difficulty facing car industry suppliers. Eaton and Dana, two of the biggest component makers, saw their earnings plummet. Goodyear, the big tyremaker, increased its profits, but thanks only to the strength of foreign demand. Its U.S. business was weak.

Elsewhere in manufacturing, machine tool makers continued to notch up healthy earnings gains because of the large backlog accumulated over the previous 12 months. But this helpful cushion against recession was thinning towards the end of the year due to high financing costs and uncertainties about the new Administration's fiscal policies. However, this could easily be reversed if President Reagan come up with a convincing economic programme.

General Electric (GE), in many ways the bellwether of the manufacturing industry, increased profits by 7 per cent both for the year as a whole and in the final quarter. Interestingly, GE said that sales were strongest in the industrial and capital equipment sector. Sales to the consumer were only modestly higher.

But broadly, the mood in the corporate world is one of anxiety. Profit trends in the last couple of years have not, in the view of many, been adequate to support the increases in capital spending necessary to develop technology and raise productivity. With total corporate profits up maybe 10 per cent last year and the growth in the Consumer Price Index running at 12.5 per cent, one does not need a pocket calculator to see that someone is losing out somewhere.

It is against this background that the Reagan Administration is working on its "supply side" economic plan to reduce the burden of taxation and regulation. In addition though, there will have to be some interest rate relief this year to reduce costs and revive consumer demand. Otherwise, analysts predict a lot of companies could be in trouble.

$150m for central bank of Finland

By Our Euromarkets Correspondent

THE CENTRAL Bank of Finland has negotiated a $150m seven-year standby credit from a group of banks led by Credit Lyonnais.

The credit bears a margin of ⅜ per cent over Libor for the first three years, rising to ½ per cent for the remaining four. The terms are thus finer than those on the central bank's last major operation, a $600m refinancing of a standby credit arranged last June through Bank of America and Morgan Guaranty with a split of ⅜-½ margin over Libor or ⅛ per cent over U.S. prime.

The latest borrowing is being arranged on a club basis with funds being made available by Arab Banking Corporation, Credit Agricole, National Bank of Canada and Sanwa Bank, as well as Credit Lyonnais as Agent.

The borrower is paying a commitment fee of ⅛ per cent.

Consolidated Bathurst sells Abitibi stake

By Our Financial Staff

THE RECENT developments in the share ownership of Abitibi-Price, the Toronto-based world leader in newsprint production, took a fresh turn yesterday with the announcement by Consolidated-Bathurst that it has sold its 9 per cent stake in Abitibi to Federal Commerce and Navigation for an undisclosed cash sum.

Last week, Olympia and York Investments, the Toronto real estate and development group, said it was offering C$189m (US$159m) for 6.75m Abitibi shares, which together with the 9.8 per cent of Abitibi already owned, would make Olympia and York the controlling shareholder.

On hearing of Olympia's move, Federal Commerce, a major private Montreal shipping company, withdrew its offer to buy up to 2.25m shares in Abitibi, a purchase which would have given it about 20 per cent of the Abitibi equity.

Consolidated-Bathurst, a leading forest products group, said yesterday that it would have "no more comment to make" on its sale of Abitibi shares, and that any further enquiries would have to be made to Federal Commerce.

There was no comment yesterday from Federal Commerce which had not been expected to add to the 10 per cent of Abitibi shares it already held.

Transmuting Mexico's oil assets

Mexico has been one of the first of the oil exporting countries to build up the capacity to transform its oil and gas production into petrochemicals. Although still some way from self sufficiency, Mexico already has the fastest growing petrochemicals industry in the world. WILLIAM CHISLETT in Mexico City reports

THE ABUNDANT supplies of low cost oil and gas which have already placed Mexico as number five among world oil producers are now stimulating rapid development of the country's petrochemicals resources. The industry, the largest in Latin America, is only 20 years old, but already accounts for about 3.5 per cent of gross domestic product and employs more than 70,000 people.

The country's basic petrochemical industry is now the fastest growing in the world. Pemex, the State oil concern, calculates that 51 petrochemical projects are under construction in Mexico, compared with 42 in the U.S. and 39 in China. One in eight petrochemical projects under construction in the world is Mexican.

According to Sr. Antonio Juarez, head of the Government-led Petrochemical Commission, Mexico's goal is almost to treble basic capacity to 23m tonnes by 1990 at a current cost of $2.5bn and to raise secondary petrochemical capacity from the current level of 5.6m tonnes to 9m tonnes by 1984 at a cost of $1.5bn.

The basic petrochemicals industry is State-controlled with Pemex, the national oil concern, enjoying a monopoly.

The secondary petrochemicals industry is open to the private sector, but foreign participation in joint ventures is limited to 40 per cent.

The State produces 42 basic products, such as ethylene, propylene and benzene, and these are used for the manufacture of products ranging from plastics and detergents to synthetic fibres and paint.

The basic industry grew at an average annual rate of 18 per cent from 1977-80 compared with an average real growth of 6 per cent a year in Gross Domestic Product. Production in the basic industry grew by 16 per cent in 1980 to 7.2m tonnes and in the secondary industry by 20 per cent to 4.8m tonnes, according to preliminary estimates.

Last month, the first of 20 plants at the massive, long overdue La Cangrejera Petrochemical complex, destined to be the world's third largest, came on stream. The acetaldehyde plant has an annual capacity of 100,000 tonnes. Later this month, the plant for the production of 100,000 tonnes of ethylene oxide is scheduled to start operating.

By mid-1982, the complex in the State of Veracruz which is over a year behind schedule, is expected to be in full operation, adding 3.5m tonnes capacity to the present basic petrochemicals capacity of 8.6m tonnes. The complex includes a 500,000 tonnes a year ethylene plant.

Mexico is managing more successfully than most oil producers to add value to its oil and gas production by transforming these raw materials into lucrative petrochemicals, in order to satisfy the quickly growing domestic market and increase the value of exports.

But even with such an ambitious expansion programme, Mexico is still some way from self sufficiency.

The Planning Ministry recently estimated that imports of petrochemical products, mainly aromatics, cost in the first 10 months of 1980 $498.5m, 74 per cent more than in the corresponding 1979 period.

Petrochemical exports, mainly ammonia, dropped by 0.4 per cent in the same period to $95.3m, leaving a trade deficit for this sector of $403.2m.

However, the sector's trade deficit will considerably diminish when the La Cangrejera complex is fully operational next year.

Pemex sells petrol, natural gas and basic petrochemicals at greatly subsidised prices—a gallon of petrol is only 22p—to the domestic market in order to promote industrialisation.

The continuation of subsidies, even for imported products, has helped to soothe the anger of industrialists, whose own plans for expansion in the secondary sector have been affected by the delays in receiving feedstocks.

But, Sr Joghe Diaz Serrano, director general of Pemex, recently warned that the State oil group could not always be expected to absorb the difference in the world market cost of imports of basic petrochemicals.

Sr. Serrano said that Pemex spent 12bn pesos ($521.7m) last year on buying basic petrochemicals on the world market and resold them to private industry for 7bn pesos ($304.3m)—a loss of 5bn pesos.

FT INTERNATIONAL BOND SERVICE

The list shows the 200 latest international bond issues for which an adequate secondary market exists. For further details of these or other bonds see the complete list of Eurobond prices which will be published next on Wednesday, March 11.

Closing prices on February 16

U.S. DOLLAR STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
Amoco 13¾ 88	75	92⅞	93⅜	−1½	−4	14.96
CECA 11½ 88	100	87½	88	−0⅞	−3⅝	14.25
CNE 12⅝ 91	100	91⅝	92¼	−0½	−2⅞	14.32
Citicorp O/S Fin. 10 86	300	82⅜	83⅛	−0⅝	−3⅝	14.75
Citicorp O/S Fin. 12 87	200	87⅝	88⅛	−1½	−4⅛	14.92
Con. Illinois O/S 9⅝ 86	150	81	81½	−1½	−3⅛	15.03
Denmark 11¾ 90	100	85½	86	−0⅛	−2⅝	14.61
Dupont Canada 13⅛ 91	65	94	94½	−0¾	−2½	14.63
EEC 11 95 (May)	75	79⅛	79⅝	−0⅝	−4⅛	14.47
EEC 11 95 (August)	70	79½	80	−0⅛	−2½	14.37
EIB 13¾ 90	100	95⅝	96⅛	−0⅞	−3⅛	14.55
Eksportfinans 9½ 87	75	81⅛	81⅝	−0½	−2⅛	14.06
Elec. de France 10 88	125	79½	80	−1⅛	−4⅛	14.83
Elec. de France 13 88	125	93½	94	−1⅞	−3⅞	14.47
Export Dv. Cpn. 12⅝ 87	100	92⅜	92⅞	−1¼	−3⅛	14.59
Export Dv. Cpn. 9½ 86	150	81⅞	82⅜	−1⅛	−2⅞	14.86
Fin. Exp. Credit 10½ 86	50	86	86½	−1½	−2⅝	14.95
Finland, Rep. of 9½ 86	100	81⅜	81⅞	−0½	−1⅛	14.89
Ford Credit O/S 14⅝ 83	150	96	96½	+0¼	+0⅛	16.32
Ford O/S Fin. 12⅝ 86	250	88⅛	88⅝	−0⅞	−0⅛	16.59
Gaz de France 12½ 86	80	96	96½	−1⅛	−3⅞	14.80
GMAC O/S Fin. 12 87	100	86⅜	86⅞	−1⅞	−3⅜	15.30
GMAC O/S Fin. 12⅞ 88	100	90⅛	90⅝	−1⅞	−3⅜	15.17
Gen. Mtrs. O/S 11⅜ 87	100	86⅝	87⅛	−0⅛	−3⅛	14.82
GTE Fin. 13⅝ 86 (WW)	50	97⅜	97⅞	−0½	−1½	14.44
Hudson's Bay 11½ 90	75	83	83½	−1½	−3⅛	14.80
IBM Canada 10½ 85	50	93⅞	94⅜	−0⅞	−1⅛	12.27
IBM Wld.-Trade 12½ 89	200	94⅜	94⅞	−0⅞	−2⅛	13.80
Newfoundland 13½ 90	60	92½	93	−1⅞	−3⅜	15.02
Nova Scotia 10⅝ 90	50	78⅛	78⅝	−1⅞	−6	15.17
OKB 10 86	50	85⅜	85⅞	−0½	−2⅞	14.45
Pemex 11½ 88	100	84½	85	0	−0⅛	15.05
Quebec Hydro 11½ 92	100	81	81½	−1½	−4⅛	15.01
Queb. Hy. 13 91 (WW)	100	91	91½	−0½	−2⅝	14.72
Royleasa 11⅛ 85	50	90½	91	−0⅛	−1⅛	14.20
SNCF 12⅝ 85	50	93⅞	94⅜	−0⅛	−2⅛	14.26
Sven Handelsbk. 13⅝ 88	45	94⅞	95⅜	−0⅝	−2⅛	14.93
Sweden 12⅝ 85	150	92⅜	92⅞	−0½	−2⅛	14.63
Swed. Ex. Credit 12 83	50	92½	93	−0½	−2	15.47
Swed. Ex. Credit 13 86	75	93⅝	94⅛	−0½	−2⅛	14.82
[illegible] 9⅝ 90	100	76⅞	77⅜	−1⅛	−4⅛	14.29
World Bank [illegible] 85	200	85⅜	86	−0⅝	−2⅛	14.34
World [illegible]	300	83⅜	83⅞	−0⅞	−3⅜	14.31

Average price changes... On day −0⅝ on week −2⅝

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
SOFTE 8¼ 89 EUA	40	86½	87½	−0¼	−0⅛	10.88
U. Bk. Nrwy. 9½ 90 EUA	18	97½	98½	−0⅛	−0½	9.84
Bk. Mees & H. 10 85 Fl	75	98	98½	−0⅛	−1⅛	10.47
F. G. Hypo 9⅝ 87 Fl	60	93½	93⅞	−0⅛	−0⅝	11.20
Heineken NV 10 87 Fl	100	94½	95	−0⅛	−0⅞	11.16
Nat. Inv. Bk. 10 87 Fl	75	94⅝	95	0	−0⅝	11.15
Nat. Neder. 9½ 87 Fl	60	92⅞	93⅛	−0⅛	−1⅛	11.01
Ned. Midd. Bk. 10 85 Fl	75	98⅜	98⅞	−0⅛	−1	10.36
Aero Paris 13⅛ 87 FFr	150	95¾	96⅛	+0⅛	−0⅝	14.11
Charb'nages 13⅞ 85 FFr	400	98½	99½	0	−0⅝	14.14
CECA 14⅛ 86 FFr	150	99½	100½	0	−0⅝	14.22
EIB 14⅛ 88 FFr	300	99	100	−0⅛	−0¼	14.22
Finland 11 84 FFr	80	91⅛	92⅛	+0⅛	+0⅛	14.72
Gaz de France 11 84 FFr	160	92	93	+0⅛	−0⅝	13.66
La Radoute 14⅛ 85 FFr	125	95⅛	96⅛	0	−0⅝	15.61
OKB 14 86 FFr	400	98⅝	99⅝	0	−0⅝	14.26
Utd. Mex. Sts. 14 85 FFr	150	97⅛	98⅛	−0⅛	−0⅝	14.51
Acona 14 85 £	20	94½	95⅛	−0⅛	−0⅝	15.54
Beneficial 14¾ 90 £	20	93⅞	94⅜	−0⅛	−0⅝	15.42
Beneficial 14¾ 90 £	20	94	94⅝	−0⅛	−0⅛	15.37
BNP 13¾ 91 £	15	95⅛	96	−0⅛	−0⅛	14.34
CECA 13½ 88 £	20	96⅛	96⅞	0	−0⅛	14.24
Citicorp O/S 13½ 90 £	50	95½	95⅞	−0½	−0⅛	14.42
Fin. for Ind. 14½ 88 £	20	100⅛	100⅞	0	−0⅛	14.37
Fin. for Ind. 13⅝ 87 £	20	97⅜	98⅛	−0⅛	+0⅛	14.24
Gen. Elec. Co. 12¼ 89 £	50	93¼	94½	−0⅛	−0⅝	13.74
Peugeot SA 14 90 £	23	93⅝	94½	−0⅛	−0⅝	15.16
Rothschild 14¾ 90 £	12	98¼	99	−0⅛	−0⅝	14.48
Swed. Ex. Cr. 15⅛ 85 £	20	103⅛	104	0	−0⅛	14.00
Banobras 8¾ 90 KD	7	†87⅛	87⅝	0	0	10.45
CCCE 8⅛ 91 KD	10	†82½	83	0	+0½	11.04
Sonatrach 8¾ 90 KD	12	†88⅛	88⅝	0	0	10.54
Akzo 9⅛ 87 LuxFr	500	92	93	+0⅛	+0½	10.86
Euratom 9⅞ 88 LuxFr	500	95	96	0	−0⅝	10.70
Eurofima 10½ 87 LuxFr	500	98⅛	99⅛	+0⅛	−0⅛	10.77
EIB 9⅝ 88 LuxFr	600	94⅛	95⅜	−0⅛	−1½	10.75
Volvo 9⅞ 87 LuxFr	500	92⅛	93⅛	0	−0⅛	11.20

FLOATING RATE NOTES	Spread	Bid	Offer	C.dte	C.cpn	C.yld
Allied Irish Bank 5¼ 87	0¼	98⅛	98⅝	2/7	18⅛	18.88
Bank of Montreal 5¼ 90	0¼	99⅛	99⅝	18/6	19⅛	19.62
Bank of Tokyo 5¼ 89	†0¼	98⅝	98⅞	25/4	19.31	19.58
BBL Int. 5 88	0¼	98	98½	20/5	16½	16.79
Bergen Bk. A/S 5 89	†0¼	†98⅛	98⅝	29/2	18.19	18.49
BNP 5½ 88	†0¼	99	99½	29/4	18.69	18.83
CNT 5¼ 86	†0¼	98⅝	99⅛	16/4	13⅛	13.40
Christiania Bk. 5½ 91	†0¼	97⅛	97⅝	9/5	17⅛	18.21
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

DEUTSCHE MARK STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

SWISS FRANC STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

YEN STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

Average price changes... On day [illegible] on week [illegible]

OTHER STRAIGHTS	Issued	Bid	Offer	Change on day	Change on week	Yield
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

CONVERTIBLE BONDS	Cnv. date	Cnv. price	Bid	Offer	Chg. day	Prem
[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]

* No information available—previous day's price.
† Only one market maker supplied a price.

Straight Bonds: The yield is the yield to redemption of the mid-price; the amount issued is in millions of currency units except for Yen bonds where it is in billions. Change on week=Change over price a week earlier.

Floating Rate Notes: Denominated in dollars unless otherwise indicated. Coupon shown is minimum. C.dte=Date next coupon becomes effective. Spread=Margin above six-month offered rate (‡ three-month; § above mean rate) for U.S. dollars. C.cpn=The current coupon. C.yld=The current yield.

Convertible Bonds: Denominated in dollars unless otherwise indicated. Chg. day=Change on day. Cnv. date=First date for conversion into shares. Cnv. price=Nominal amount of bond per share expressed in currency of share at conversion rate fixed at issue. Prem=Percentage premium of the current effective price of acquiring shares via the bond over the most recent price of the shares.

AMERICAN QUARTERLIES

BAXTER TRAVENOL	1980 $	1979 $
Fourth quarter		
Revenue	378.3m	321.5m
Net profits	33.0m	24.8m
Net per share	0.95	0.72
Year		
Revenue	1.37bn	1.19bn
Net profits	128.4m	111.9m
Net per share	3.72	3.29

CROUSE-HINDS	1980 $	1979 $
Fourth quarter		
Revenue	194.7m	172.8m
Net profits	9.89m	11.3m
Net per share	0.56	0.70
Year		
Revenue	753.6m	667.5m
Net profits	42.3m	38.8m
Net per share	2.50	2.42

W. W. GRAINGER	1980 $	1979 $
Fourth quarter		
Revenue	206.5m	196.7m
Net profits	17.05m	12.99m
Net per share	1.20	0.92
Year		
Revenue	782.6m	732.5m
Net profits	48.8m	48.19m
Net per share	3.45	3.41

MASCO	1980 $	1979 $
Fourth quarter		
Revenue	181.6m	172.9m
Net profits	18.83m	16.46m
Net per share	0.74	0.65
Year		
Revenue	766.4m	726.4m
Net profits	77.18m	73.06m
Net per share	3.03	2.80

MELVILLE	1980 $	1979 $
Fourth quarter		
Revenue	739.4m	637.8m
Net profits	54.67m	46.05m
Net per share	2.16	1.84
Year		
Revenue	2.33bn	2.02bn
Net profits	114.7m	101.2m
Net per share	4.54	4.04

MORRISON KNUDSEN	1980 $	1979 $
Fourth quarter		
Revenue	453.5m	406.7m
Net profits	10.35m	8.48m
Net per share	1.11	1.00
Year		
Revenue	1.74bn	1.37bn
Net profits	30.61m	25.45m
Net per share	3.50	3.02

NORCEN ENERGY RESOURCES	1980 C$	1979 C$
Year		
Revenue	738.5m	634.4m
Net profits	85.88m	66.89m
Net per share	3.16	2.70

UNITED ENERGY RESOURCES	1980 $	1979 $
Fourth quarter		
Revenue	1.11bn	957.8m
Net profits	48.3m	28.4m
Net per share	1.84	1.10
Year		
Revenue	4.13bn	3.13bn
Net profits	165.5m	111.7m
Net per share	6.38	4.55

UPJOHN	1980 $	1979 $
Fourth quarter		
Revenue	450.8m	392.9m
Net profits	34.9m	31.4m
Net per share	1.17	1.06
Year		
Revenue	1.76bn	1.6bn
Net profits	170.4m	149.5m
Net per share	5.71	5.03

WM. WRIGLEY JR.	1980 $	1979 $
Fourth quarter		
Revenue	139.8m	129.5m
Net profits	10.14m	7.38m
Net per share	1.29	0.94
Year		
Revenue	557.6m	505.4m
Net profits	30.69m	36.45m
Net per share	3.90	4.63

Companies and Markets

INTERNATIONAL COMPANIES and FINANCE

PROFITS 'POSITIVELY' AFFECTED BY EXPANSION

Daimler-Benz lifts sales and output

BY KEVIN DONE IN FRANKFURT

DAIMLER-BENZ boosted car sales in both domestic and foreign car markets last year, in stark contrast to most other West German motor manufacturers.

Daimler-Benz does not expect any upturn in the fortunes of the German car market in the next 12 months because of the depressed state of the economy, but is satisfied with its own order book position. In a letter to shareholders it said yesterday that employment in its car plants was assured.

Daimler-Benz is still living off the large back-log of orders it built up in the late 1970s, when some customers were kept waiting several years for new models. The back-log has been cut significantly, however, over the last 18 months and all models are now available within 12 months.

Daimler-Benz boosted its turnover in 1980 by 12.2 per cent to DM 30.7bn ($14.1m) compared with DM 27.4bn in 1979. The export share of the parent company turnover of DM 26.5bn increased to 47.7 per cent compared with 44.6 per cent in 1979.

Daimler-Benz said yesterday that the expansion of its business last year had worked "positively" on its profitability, which also had been helped by favourable interest earnings. The group's high level of liquidity gave it interest earnings of DM 241m in 1979.

Group after-tax profits in 1979 totalled DM 637.8m and enabled the group to pay a higher dividend of DM 10 per share compared with DM 9 for 1978.

The group increased car production by 1.6 per cent to 429,078 compared with the 10.5 per cent fall in total car output in West Germany. At the same time it was the only German car producer to increase its share of the domestic market in 1980 — to 10 per cent against 9 per cent in 1979 — with sales of 241,000, a rise of 3 per cent.

It also recorded a small rise in car exports of 2.7 per cent to 188,000 — compared with a general drop of 6 per cent in West German car exports—and managed a 2 per cent rise to 53,800 in the troubled U.S. car market in a year when total new car registrations in the U.S. dropped by 16 per cent.

On the commercial vehicles side, which accounts for a little more than half of group turnover, sales in the domestic market dipped by 2 per cent to 86,000 vehicles. Exports expanded strongly, however, jumping by 20 per cent to 116,400.

German ITT unit halves deficit

By Stewart Fleming in Frankfurt

THE HOME entertainment electronics division of Standard Elektrik Lorenz, the West German subsidiary of International Telephone and Telegraph, has more than halved its losses in the past year, the company said yesterday.

With sales of more than DM 1bn ($460m), the division heads ITT's European home entertainments operations in Europe and in the past year has been consolidating its operations.

The company said it had increased its sales revenues by 14 per cent in 1980. About half its business is in the sale of televisions and about one third is audio equipment.

The company also disclosed that it has signed a DM 30m contract to deliver 30,000 televisions and 30,000 portable radio cassette receivers to Algeria and to set up there a customer service organisation staffed by Algerians, and with a mini-computer based logistics and spares back up system.

Small rise for industrial bank group

By Jonathan Carr in Bonn

NET INTEREST income of Industriekreditbank — which specialises in lending to West German industrial customers— rose by DM 2.6m to DM 101m ($46m) in the first nine months of the year ending March, 1981, raising prospects that a 14 per cent dividend can be maintained.

Income growth was slower than that of business volume, with the balance sheet total increasing over the same period by DM 733m to DM 11.4bn. Reasons given are higher refinancing costs and tough competition.

Customer loans in the nine months rose by DM 771m to DM 8.9bn, a relatively large proportion of it short- and medium-term credit.

This reflects a continuing belief among German industrial borrowers that interest rates will fall fairly soon. This belief is share neither by the bank itself nor by an increasing proportion of the German financial community.

Schering raises turnover, profit

BY LESLIE COLITT IN BERLIN

SCHERING, the West Berlin-based pharmaceuticals and chemicals group, boosted sales last year by 19.5 per cent to DM 3.2bn ($1.47bn) while earnings, without being disclosed at this stage, are said to be higher than in 1979.

Without acquisitions group turnover would still have been 13 per cent higher, the company says. In 1979 net earnings totalled DM 58m, down from DM 88m in 1978.

Herr Karl Otto Mittelsten-scheid, the chairman, said the sales performance reflected the "phenomenon" that during a recession Schering did comparatively well because of its product structure.

Pharmaceuticals and agro-chemicals make up 59 per cent of group turnover. The remainder consists of industrial chemicals and electro-plating which are more dependent on the business cycle.

Helped by a U.S. acquisition, group electro-plating sales last year advanced 49.4 per cent to DM 210m while chemicals sales were up 6.5 per cent to DM 742m.

Pharmaceuticals sales were DM 1.4bn or 21.7 per cent higher than in 1979, but this also included an acquisition. Sales of oral contraceptives, which make up 30 per cent of pharmaceutical sales, went up 8 per cent as a result of the successful introduction of two new products.

Italy bourse body gains new board

By James Buxton in Rome

CONSOB, Italy's stock exchange regulatory body, yesterday acquired an almost completely new board. This is part of a policy by the Government, implemented by Sig. Nino Andreatta, the Treasury Minister, to improve control of the stock exchange.

The new chairman of the CONSOB (Commission for Control of Companies and the Bourse) is Professor Guido Rossi. The only member of the old board to survive is Sig. Bruno Pazzi, a cinema and theatre proprietor, whose appointment in 1978 produced a political storm. The terms of all other former members of the five-man board have expired.

CONSOB's headquarters is to be moved from Rome to Milan, where Italy's main bourse is situated, in six months.

Irregular control of the stock exchanges and company behaviour have in the past deterred many small investors from putting their money into equities. In the past year, however, there has been revived interest in equity investment and share prices on the Milan stock exchange, having more than doubled last year, have already gone up by more than 20 per cent this year.

The new CONSOB needs greater powers of intervention. It also suffers from a lack of staff.

Swiss Volksbank up by 14%

BY JOHN WICKS IN ZURICH

SWISS VOLKSBANK reports a 14 per cent rise in net profits to SwFr 68.5m ($34.5m) for 1980 and is maintaining its dividend at 14 per cent.

Gross income rose by 20.9 per cent to SwFr 102.8m and depreciation and provisions jumped by more than 43 per cent to SwFr 30.9m, largely because of a write-off of some SwFr 16.2m after losses in the Socsil fraud case.

Earnings from securities increased by 170.2 per cent to SwFr 45.4m, while income from trading in foreign exchange and precious metals was up 63.4 per cent to SwFr 67.5m.

Elsewhere, the net interest earnings dropped by SwFr 28.8m to SwFr 168.4m, primarily because of the narrowing of interest margins as short-term borrowing rates increased. Net commission income was up to SwFr 123.1m compared with SwFr 109.8m in 1979.

The balance sheet total expanded by 17.4 per cent to SwFr 17.8bn ($8.9bn) in 1980, with a foreign share of nearly 20 per cent. Deputy general manager Mr. Rudolf Bosshard, said Volksbank was drawing near to an initial target of a 25 per cent foreign share of its assets. In 1981, however, foreign business would probably grow at about the same rate as the overall balance sheet.

Projects were in hand for extending the bank's presence abroad, with a representative office to be opened in Singapore next month and one in Sao Paulo in the summer.

For the current year the bank planned "healthy growth within a sensible framework." The stress would be placed particularly on developing non-credit business, including foreign-exchange and precious metal trading.

Portugal to launch bond

By Our Financial Staff

BANCO de Fomento Nacional has launched Portugal's first public sector bond issue since the 1974 revolution. The Es 1bn ($17.5m) issue of variable rate three-year bonus is the first of a planned series, aimed at the small investor.

The bonds will carry an interest rate of 17 per cent for the first six months, rising by one percentage point every six months to 22 per cent for the final six-month period.

V and D sees U.S. growth

BY CHARLES BATCHELOR IN AMSTERDAM

VROOM en Dreesmann, the Dutch stores group, expects its U.S. retailing venture with W. R. Grace to produce rapid growth over the next four years.

By 1985 the number of outlets in the venture will have doubled from the present 467, says V and D. The expansion is to be funded internally.

The two groups have formed a new company to absorb Grace's existing retail operations which for 1980 had sales totalling $1.1bn. The deal has cost V and D $200m.

● The Dutch Finance Ministry has given the go-ahead for gold options to be traded in Amsterdam. From the outset the European Options Exchange will trade in both call and put options. Each option will be for 10 troy ounces, or about 310 grammes of fine gold.

Options wil be available for three, six and nine months.

Borregaard lifts payout

BY FAY GJESTER IN OSLO

BORREGAARD, Norway's third largest industrial concern, is recommending an 11 per cent dividend for 1980, three points up from a year earlier. It says the group's financial position was strengthened last year.

Revised preliminary figures put 1980 pre-tax earnings at NKr 143.2m ($26m), compared with NKr 130.8m in 1979. Group turnover was unchanged at NKr 3.3bn, or 7 per cent ahead if the Austrian mills sold in 1979 are excluded.

Depreciation was NKr 127.1m and net financial costs NKr 53.1m.

JAPANESE MOTOR INDUSTRY

Earnings setback for Toyota Motor

BY YOKO SHIBATA IN TOKYO

TOYOTA MOTOR Company, Japan's largest car manufacturer, suffered an earnings setback in the half year to December 31, under the effect of increases in prices of materials and sluggish domestic sales—and expects a fall of 30 per cent to Y204bn ($980m) in operating profits for the full year.

Toyota's first-half operating profits dropped to Y102.92bn ($495m), down 21.1 per cent over the corresponding period in 1979. Net profits slipped to Y57.22bn, down 12.1 per cent, on sales of Y1.65bn ($8bn) up 6.9 per cent. Profits per share slipped back to Y32.51, from Y41.15.

Sales for the full year are expected to show a rise of 12 *per cent to Y3,350bn ($16.1bn)*. The net profit forecast is Y114bn, some 20.6 per cent less than last year's Y143.57bn.

The interim dividend is unchanged at Y7 a share, which includes an ordinary dividend of Y6, and a special dividend of Y1.

Toyota Motor's sales affiliate, Toyota Motor Sales marketed 1,576,549 vehicles in the half, to show an increase of 45,017 units, or up 2.9 per cent. The increase was achieved through buoyant exports, which were up by 118,472 units, or 15.5 per cent, to 887,612 vehicles. Domestic sales dropped by 73,455 units, or 10 per cent, to 694,437 vehicles, reflecting conditions in the domestic economy.

Toyota blamed the setback in operating profits on cost increases. As a result of higher interest rates, the company's net financial revenue from its large reserves more than doubled, to Y48.2bn (from Y23.5bn in 1979).

For the current half year, ending June 30, Toyota aims to sell 1.62m vehicles, making a year's total of 3.2m vehicles. It plans to achieve this target by bolstering domestic sales to 750,000 units from 694,437 units in the first half.

However, the company expects export growth to suffer *from the growing trade frictions* with Europe and the U.S. As a result, exports in the current half year are projected at 870,000 units compared with 891,000 units in the first half, *for an annual total of 1.75m units.*

Sales in the current half year are expected to reach Y1,700bn, and operating profits in the current six months, it is thought will be at about the same level as those in the first half.

Capital outlays for the 1981 calendar year are set at Y280bn, compared with Y220bn in 1980.

Sappi lifts production and profits

By Bernard Simon in Johannesburg

SAPPI, which accounts for half of South Africa's paper production and has extensive forestry interests, raised its 1980 attributable profit by 79 per cent to R45.9m ($59.1m), from R25.6m in 1979, on turnover up 33 per cent to R346.95m ($447m). The final dividend has been raised from 26 to 42 cents, bringing the total to 57 cents, up from 35 cents. Sappi's profits will "again improve materially" during 1981, the directors say.

Sappi has benefited from a sharp rise in demand for paper products, of 8-10 per cent in real terms last year. Mr. Eugene van As, the company's managing director, said he expects a growth rate of 5-8 per cent this year.

Sappi, which is controlled by General Mining Union Corporation, pushed up paper production by 70,000 tons last year, mainly as a result of higher productivity at existing mills. The Stanger Mill, which Sappi bought from Reed International in 1979, made its first full year's contribution to profits. The mill, which ran at a heavy loss in earlier years, last year recorded an operating profit of R4.8m.

Stanger's earlier losses have helped Sappi hold down tax payments to less than 5 per cent of total operating profits. The company paid only R2.7m in tax last year. With a substantial portion of Stanger's assessed losses still to be offset, the company does not expect the tax rate to rise significantly for the next few years.

Sappi is also able to take advantage of generous tax allowances on new investment. The company announced last year that its capital spending programme will total over R500m up to 1984.

Downturn at Pioneer Electronic

BY OUR FINANCIAL STAFF

PIONEER ELECTRONIC Corporation, the Japanese audio equipment manufacturer, has reported a fall of 19.9 per cent in consolidated net profit for the first quarter of the current year to end December 1980, chiefly as a result of higher taxes. Net profit declined to Y4.85bn ($23.4m) from Y6.05bn for the same period of 1979-80.

Sales climbed by 16.6 per cent to reach a quarterly record of Y82.92bn ($399m) from Y71.11bn. Net income per American depositary share, representing two common stock shares, dropped to Y112 from Y140.

The company attributed the net profit fall chiefly to higher taxes resulting from the translation into yen of earnings from overseas subsidiaries.

Overseas sales increased by *21.5 per cent from the year* before to Y52.98bn with brisk demand in Europe, the Middle East and Latin America. Sales in the U.S. registered only a slight rise. On the domestic market, sales came to Y29.94bn, an 8.8 per cent year-to-year increase.

Sales of home audio equipment rose by 5.1 per cent to Y49.54bn, accounting for 59.7 per cent of the total. Sales of other audio products totalled Y28.69bn, a 38.6 per cent increase, and represented 34.6 per cent of the total, and sales of other products went up 43 per cent to Y4.69bn, accounting for 5.7 per cent of business. Of all Pioneer products 63.8 per cent were sold in other countries in the first quarter, a rise of 61.3 per cent.

Despite the disappointing first-quarter earnings performance, *the directors are optimistic* about the current year. They said in their earnings statement that although difficult circumstances were expected, such as the sluggish economic situation in Japan and overseas, and the continuing trend of the yen's high value against foreign currencies, the company should be able to improve its business results as there are plans to introduce a number of new audio products.

Last December, Pioneer issued 8m new shares of common stock in other countries, excluding the U.S., to finance plans to expand its audio equipment business in Japan and overseas and at the same time to improve production of new laser-optical video discs and interactive cable TVs.

Sales for the year to September, 1980 reached Y1,360bn and *net profits* came to Y90.64m.

Recovery continues at Rennies

BY DES KILALEA IN JOHANNESBURG

RENNIES, the South African shipping, hotel, and trading group, which is 53 per cent *owned by Jardine Matheson*, has continued its profit recovery with a 48 per cent improvement in earnings to 67.4 cents a share for the year to end December. The group increased its dividend by more than expected, to 33 cents from 22 cents.

The company, which is one of Jardine's largest profit contributors, reported turnover of R236.2m ($304m) in 1980, against R191.8m, and operating profits of R29.4m ($37.8m) compared with (R21.8m). The greater improvement at the taxed profit level, by 48 per cent to R15.1m, resulted from a further de-gearing of the group's financial structure. Interest in lease charges fell by 19 per cent to R3.6m and resulted in a further reduction in the debt to equity ratio to 66 *per cent from 73 per cent*. This was despite the R6m acquisition of 75 per cent of the Keens electrical wholesaling group.

Mr. Charles Fiddian-Green, the chairman, says all divisions contributed to the sharp profit improvement. The best performance came from shipping and services, which reported operating profit 46 per cent higher, as imports to South Africa rose sharply in line with economic growth. Hotels and casinos, including the Holiday Inns division, reported a 33 per cent operating profit increase, despite the deconsolidation of a hotel / casino in Lesotho. This followed a fall in Rennies shareholding in the hotel from 80 per cent to 50 per cent. Trading activities of the group reported profits 32 per cent higher in 1980, despite the disposal *of* a subsidiary during the year.

In the past two years, liquidity has built up strongly, and the group is now operating below its target of a 80 per cent debt to equity ratio. The chairman says the 1981 borrowings ratio will be much the same, at 66 per cent, despite relatively heavy capital expenditure this year on new Holiday Inns and the expansion of the group's bulk storage facilities in Durban.

Although 1980 earnings and dividends are better than expected, the company's shares still stand at 320 cents on an historic 10.3 per cent dividend yield on the Johannesburg Stock Exchange.

CURRENCIES, MONEY and GOLD

WORLD VALUE OF THE POUND

The table below gives the latest available rate of exchange for the pound against various currencies on February 16, 1981. In some cases rates are nominal. Market rates are the average of buying and selling rates except where they are shown to be otherwise. In some cases market rates have been calculated from those of foreign currencies to which they are tied.

Abbreviations: (A) approximate rate, no direct quotation available; (F) free rate; (P) based on U.S. dollar parities and going sterling/dollar rates; (S) member of the sterling area other than Scheduled Territories; (T) tourist rate; (Bas) basic rate; (bg) buying rate; (Bk) bankers' rates; (cm) commercial rate; (ch) convertible rate; (fn) financial rate; (exC) exchange certificate rate; (K) Scheduled Territory; (nc) non-commercial rate; (nom) nominal; (o) official rate; (sg) selling rate.

PLACE AND LOCAL UNIT		VALUE OF £ STERLING
Afghanistan	Afghani	112.00
Albania	Lek	9.74
Algeria	Dinar	8.6270
Andorra	French Franc / Spanish Peseta	11.72 / 200.30
Angola	Kwanza	(CM) 69.794 / (T) 72.287
Antigua (S)	E. Caribbean $	6.10
Argentina	Ar. Peso Free Rate	5,104.0
Australia (S)	Australian $	1.9570
Austria	Schilling	35.895
Azores	Portug'se Escudo	130.95
Bahamas (S)	Ba. Dollar	2.2570
Bahrain (S)	Dinar	0.849
Balearic Isles	Spa. Peseta	200.30
Bangladesh (S)	Taka	35.70
Barbados (S)	Barbados $	4.5140
Belgium	B. Franc	(cm) 81.60 / (fn) 84.20
Belize	B $	4.5140
Benin	C.F.A. Franc	586.0
Bermuda (S)	Bda $	2.2570
Bhutan	Indian Rupee	18.87
Bolivia	Bolivian Peso	56.36
Botswana (S)	Pula	1.7195
Brazil	Cruzeiro	158.42
Brit. Virgin Isles (S)	U.S. $	2.2570
Brunei (S)	Brunei $	4.7600
Bulgaria	Lev	2.1326
Burma	Kyat	15.15
Burundi	Burundi Franc	210.405
Cameroon Republic	C.F.A. Franc	586.0
Canada	Canadian $	2.7210
Canary Islands	Spanish Peseta	200.30
Cape Verde Isle	Cape V. Escudo	89.20
Cayman Islands (S)	Cay. Is. $	1.8810
Cent. Af. Repub.	C.F.A. Franc	586.0
Chad	C.F.A. Franc	586.0
Chile	C. Peso	(Bk) 87.84
China	Renminbi Yuan	3.7150
Colombia	C. Peso	(F) 114.60
Comoro Islands	C.F.A. Franc	586.0
Congo (Brazzaville)	C.F.A. Franc	586.0
Costa Rica	Colon	19.41
Cuba	Cuban Peso	1.6850
Cyprus (S)	Cyprus £	0.9005
Czechoslovakia	Koruna	(com) 14.00 / n/c 24.38 / (T) 22.50
Denmark	Danish Krone	15.55
Djibouti	Fr.	410 (sg)
Dominica (S)	E. Caribbean $	6.10
Dominican Repub.	Dominican Peso	2.2570
Ecuador	Sucre	(O) 56.25 / (F) 65.99
Egypt	Egyptian £	(U) 1.56
Equatorial Guinea	Ekuele	400.6
Ethiopia	Ethiopian Birr	(P) 4.6250
Falkland Islands (S)	Falkland Is. £	1.0
Faroe Islands	Danish Krone	15.55
Fiji Islands	Fiji $	1.8275
Finland	Markka	8.40
France	French Franc	11.72
French C'tyin Af.	C.F.A. Franc	586.0
French Guiana	Local Franc	11.72
French Pacific Is.	C.F.P. Franc	215 (sg)
Gabon	C.F.A. Franc	586.0
Gambia (S)	Dalasi	4.0
Germany (East)	Ostmark	5.07
Germany (West)	Deutsche Mark	5.07
Ghana (S)	Cedi	6.21
Gibraltar (S)	Gibraltar £	1.0
Greece	Drachma	120.164
Greenland	Danish Kroner	15.55
Grenada (S)	E. Caribbean $	6.10
Guadaloupe	Local Franc	11.72
Guam	U.S. $	2.2570
Guatemala	Quetzal	2.2570
Guinea Republic	Syli	45.00
Guinea Bissau	Peso	79.15
Guyana (S)	Guyanese $	5.75
Haiti	Gourd	11.285
Honduras Repub.	Lempira	4.52
Hong Kong (S)	H.K. $	12.10
Hungary	Forint	(com) 73.6735 / (T)(nc) 50.5932
Iceland (S)	I. Krona	15.101(I)
India (S)	Ind. Rupee	18.87
Indonesia	Rupiah	1,406.90
Iran	Rial	175.50 (sg)
Iraq	Iraqi Dinar	0.6922
Irish Republic (K)	Irish £	1.3635
Israel	Shekel	19.00
Italy	Lira	2,396.5
Ivory Coast	C.F.A. Franc	586.0
Jamaica (S)	Jamaica Dollar	4.0255
Japan	Yen	468.0
Jordan (S)	Jordan Dinar	0.732(sg)
Kampuchea	Riel	2,708.4
Kenya (S)	Kenya Shilling	18.325
Kiribati	Australian $	1.9570
Korea (Nth)	Won	2.23(I)
Korea (Sth)	Won	1,558.75
Kuwait (S)	Kuwait Dinar	0.618
Laos	New Kip	22.57
Lebanon	Lebanese £	7.7415
Lesotho	Loti	1.75925
Liberia	Liberian $	2.2570
Libya	Libyan Dinar	0.6682
Liechtenstein	Swiss Franc	4.6175
Luxembourg	Lux Franc	81.60
Macao	Pataca	11.95
Madeira	Portug'se Escudo	130.95
Malagasy Republic	MG Franc	586.0
Malawi (S)	Kwacha	1.9550
Malaysia (S)	Ringgit	5.1675
Maldive Islands (S)	Mal Rupee	8.8465
Mali Republic	Mali Franc	1,172.0
Malta (S)	Maltese £	0.867
Martinique	Local Franc	11.72
Mauritania	Ouguiya	111.70
Mauritius (S)	M. Rupee	18.22
Mexico	Mexican Peso	52.82
Miquelon	C.F.A. Franc	586.0
Monaco	French Franc	11.72
Mongolia	Tugrik	(o) 7.40(II)
Montserrat	E. Caribbean $	6.10
Morocco	Dirham	10.90(sg)
Mozambique	Metical	65.00
Nauru	Australian Dollar	1.9570
Nepal	Nepalese Rupee	27.00
Netherlands	Guilder	5.51
Netherland Antilles	Antillian Guilder	4.0400
New Hebrides	See VANUATU	—
New Zealand (S)	N. Z. Dollar	2.4355
Nicaragua	Cordoba	22.52
Niger Republic	C. F. A. Franc	586.0
Nigeria (S)	Naira	1.367479 (sg)
Norway	Norway Krone	12.50
Oman Sul'ate of (S)	Rial Omani	0.778
Pakistan	Pakistan Rupee	22.16
Panama	Balboa	2.2570
Papua N. Guinea (S)	Kina	1.4866
Paraguay	Guarani	283.81
Peru	Sol	exc (A) 801.69
Philippines	Philippine Peso	16.84
Pitcairn Islands (S)	£ Sterling / New Zealand $	— / 2.4355
Poland	Zloty	(Cm) 76.27 / (T) 76.27
Portugal	Portug'se Escudo	130.95
Puerto Rico	U.S. $	2.2570
Qatar (S)	Qatar Ryal	8.20
Reunion Ile de la	French Franc	11.72
Romania	Leu	(Cm) n/a / (n/c) n/a
Rwanda	Rwanda Franc	294.16
St. Christopher (S)	E. Caribbean $	6.10
St. Helena	St. Helena £	1.0
St. Lucia	E. Caribbean $	6.10
St. Pierre	Local Franc	11.72
St. Vincent (S)	E. Caribbean $	6.10
Salvador El	Colon	5.63
Samoa American	U.S. $	2.2570
San Marino	Italian Lira	2,396.5
Sao Tome & Principe	Dobra	82.45
Saudi Arabia	Ryal	7.55
Senegal	C.F.A. Franc	586.0
Seychelles	S. Rupee	15.60(sg)
Sierra Leone (S)	Leone	2.5695
Singapore (S)	Singapore $	4.7600
Solomon Islands (S)	Solomon Is. $	1.8345
Somali Republic	Somali Shilling	(A) 13.55
South Africa (S)	Rand	1.75925
South West African Territories (S)	S. A. Rand	1.75925
Spain	Peseta	200.30
Spanish ports in North Africa	Peseta	200.30
Sri Lanka (S)	S. L. Rupee	40.05
Sudan Republic	Sudan £ (1)	1.13
Sudan Republic	Sudan £ (II)	1.80
Surinam	S. Guilder	4.0400
Swaziland (S)	Lilangeni	1.75925
Sweden	S. Krona	10.67
Switzerland	Swiss Franc	4.6175
Syria	Syria £	(A) 8.86
Taiwan	New Taiwan $	81.25
Tanzania (S)	Tan. Shilling	18.70
Thailand	Baht	46.15
Togo Republic	C.F.A. Franc	586.0
Tonga Islands (S)	Pa'anga	1.9570
Trinidad (S)	Trinidad & Tob. $	5.4170
Tunisia	Tunisian Dinar	1.0115(sg)
Turkey	Turkish Lira	225.10
Turks & Caicos	U.S. $	2.2570
Tuvalu	Australian $	1.9570
Uganda (S)	Uganda Shilling	18.80
United States	U.S. Dollar	2.2570
Uruguay	Uruguay Peso	(cm) 23.02 / (fm) 23.00
Utd. Arab Emirates	U.A.E. Dirham	8.27
U.S.S.R.	Rouble	1.6660
Upper Volta	C.F.A. Franc	586.0
Vanuatu	£ Sterling / Aust. Dollar	185(sg) / 1.9570
Vatican	Italian Lira	2,396.5
Venezuela	Bolivar	9.66
Vietnam	Dong	(O) 4.9070 / (T) 5.44(II)
Virgin Islands U.S.	U.S. Dollar	2.2570
Western Samoa	S. Samoan Tala	2.0900
Yemen (Nth)	Ryal	10.18(sg)
Yemen (Sth)	S. Yemen Dinar	(A) 0.7585
Yugoslavia	New Y Dinar	70.7248
Zaire Republic	Zaire	7.162480
Zambia	Kwacha	1.9050
Zimbabwe	Zimbabwe $	1.4530

*That part of the French community in Africa formerly French West Africa or French Equatorial Africa. † Rupees per pound. ‡ General rates of oil and iron exports $4.80. ** Rate is the transfer market (controlled). †† Rate is now based on 2 Barbados $ to the dollar. ‡‡ Now one official rate. (U) Unified rate. Applicable on all transactions except countries having a bilateral agreement with Egypt, and who are not members of IMF. (§) Based on gross rates against Russian rouble. (1) Official rates for government transactions and specified exports and imports. (2) Parallel rate for non-government transactions and non-specified exports and imports. § One new Krona=100 old Kronur.

Dollar firm

Dollar was very firm in currency markets yesterday, reaching an all time high against the Italian lira, and new three year highs against the D-mark and the Swiss franc. Dollar sentiment was bullish ahead of President Reagan's economic package due tomorrow, in addition to continued switching out of the weak West German D-mark into dollars. Trading was restricted, however, by the closure of most U.S. financial centres for Washington's birthday.

Sterling was sharply weaker *against the dollar, but steady* against European currencies. News of UK visible trade surplus of £757m for January may have helped the pound recover from lower levels.

European currencies lost ground against the dollar. Within the European Monetary System, the Irish punt weakened considerably, but was still placed above the D-mark. The latter was trading above its floor level against the strongest currency, the French franc.

DOLLAR — trade weighted index *(Bank of England)* rose to 102.2 from 101.0. The dollar rose sharply yesterday in the absence of any significant central bank intervention. Against the D-mark it closed at DM 2.2460, its best level since November, 1977, and sharply firmer than Friday's level of DM 2.2175. Similarly against the Swiss franc it rose to SwFr 2.0460 against *SwFr 2.0200*. The Japanese yen was very firm finishing unchanged against a fast improving dollar. The latter was quoted at Y207.50.

STERLING—trade weighted index (Bank of England) fell to 103.5 from 103.8. The pound was weak against the dollar but improved against most European currencies. It opened at $2.2720 *and touched a* low of $2.2460 before coming back to close at $2.2560-2.2580, a fall of 2.825c, and its lowest closing level since May 2 last year. Against the French franc sterling touched a new seven-year high of FFr11.72 against Friday's close of FFr 11.6650. It was also stronger in terms of the D-mark, finishing at DM 5.07 from DM 5.0675.

D-MARK—Very weak against the dollar despite very large intervention by the Bundesbank in the foreign exchange market. High interest rate differentials and a bullish outlook for the U.S. economy have depressed the German unit. Within the European Monetary System the D-mark remains weak, reflecting Germany's poor balance of payments position and slower than expected economic growth rate as well as tension over the situation in Poland—The D-mark continued to weaken in Frankfurt yesterday. The dollar rose sharply to be fixed at DM 2.2505, its highest fixing since November, 1977, and sharply up from Friday's figure of DM 2.1915. There was no intervention at the fixing by the Bundesbank, after Friday's record $165m dollar sales. Within the European Monetary System the D-mark recovered slightly, with the French franc easing to DM 43.31 per FFr 100 from DM 43.405, and the Belgian franc lower at DM 6.216 compared with DM 6.235.

ITALIAN LIRA — Weakest member of the EMS and recently touching record lows against the dollar and sterling. Dollar strength has also increased concern over Italy's very weak balance of payments position, with many imports including oil, *settled in dollars—The* dollar continued to improve against the lira in Milan yesterday, reaching a record high at the fixing of L1,061.95, a rise of over 14 per cent since the beginning of the year, and well up from Friday's level of L1,037.95.

EMS EUROPEAN CURRENCY UNIT RATES

	ECU central rates	Currency amounts against ECU February 16	% change from central rate	% change adjusted for divergence	Divergence limit %
Belgian Franc ...	39.7897	41.8814	+5.26	+1.15	±1.64
Danish Krone ...	7.72336	7.98251	+3.36	−0.75	±1.53
German D-Mark	2.48208	2.60425	+4.92	+0.81	±1.125
French Franc ...	5.84700	6.01767	+2.92	−1.19	±1.3557
Dutch Guilder...	2.74362	2.82814	+3.08	−1.03	±1.512
Irish Punt........	0.668201	0.700252	+4.80	+0.69	±1.668
Italian Lira	1157.79	1228.17	+6.08	+2.27	±4.08

Changes are for ECU, therefore positive change denotes a weak currency. Adjustment calculated by Financial Times.

THE POUND SPOT AND FORWARD

Feb. 16	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
U.S.	2.2460-2.2720	2.2560-2.2580	0.70-0.80c dis	−3.99	2.95-3.05dis	−5.32
Canada	2.7050-2.7250	2.7200-2.7220	0.77-0.87c dis	−3.62	2.88-3.00dis	−4.30
Nethlnd.	5.45-5.52	5.50½-5.51½	2⅛-1⅛c pm	4.08	4⅛-3⅞ pm	3.08
Belgium	80.95-81.70	81.55-81.65	13-3c pm	1.18	2 pm-8 dis	−0.15
Denmark	15.44-15.56	15.54-15.56	2-½ore pm	0.87	2½-4½ dis	−0.87
Ireland	1.3540-1.3650	1.3630-1.3640	0.02-0.16c dis	−0.79	0.26-0.44dis	−1.01
W. Ger.	5.03½-5.08½	5.06½-5.07½	2-1pf pm	3.55	3½-2½ pm	2.17
Portugal	129.75-131.25	130.85-131.05	75c pm-45 dis	1.37	60pm-175dis	−1.78
Spain	199.90-200.70	200.25-200.35	60-125c dis	−5.54	345-460 dis	−7.94
Italy	2,378-2,398	2,395½-2,397½	6-8lire dis	−3.51	30½-32½ dis	−5.34
Norway	12.46-12.51	12.49½-12.50½	2⅛-½ore pm	1.38	par-1½ dis	−0.26
France	11.62-11.73	11.71½-11.72½	3½-2½c pm	3.33	6½-5½ pm	1.96
Sweden	10.60-10.68	10.66½-10.67½	2½-3½ore dis	−3.02	9½-9½ dis	−3.57
Japan	465-472	467½-468½	2.10-1.60y pm	4.74	5.10-4.60 pm	4.15
Austria	35.55-35.95	35.87-35.92	15-12gro pm	4.51	33-26 pm	3.29
Switz.	4.60-4.65	4.61¼-4.62¼	2⅞-1⅞c pm	6.17	6⅞-5⅞ pm	4.98

Belgian rate is for convertible francs. Financial franc 84.15-84.25. Six-month forward dollar 6.30-6.40c dis. 12-month 10.00-10.20c dis.

THE DOLLAR SPOT AND FORWARD

Feb. 16	Day's Spread	Close	One month	% p.a.	Three months	% p.a.
UK†	2.2460-2.2720	2.2560-2.2580	0.70-0.80c dis	−3.99	2.95-3.05dis	−5.32
Ireland†	1.6480-1.6570	1.6545-1.6565	0.40-0.50c dis	−3.26	1.70-1.85dis	−4.29
Canada	1.2005-1.2067	1.2053-1.2058	0.06-0.01c pm	0.35	0.32-0.27 pm	0.98
Nethlnd.	2.4350-2.4460	2.4425-2.4455	1.70-1.60c pm	8.10	5.10-5.00 pm	8.40
Belgium	36.09-36.61	36.59-36.61	18-16c pm	5.64	52-48 pm	5.53
Denmark	6.8845-6.9125	6.8875-6.8900	2.60-2.10ore pm	4.09	7.50-7.00 pm	4.21
W. Ger.	2.2300-2.2550	2.2455-2.2465	1.48-1.38pf pm	7.64	4.20-4.10 pm	7.38
Portugal	57.96-58.20	57.95-58.10	50c pm-par	5.17	100 pm-par	3.45
Spain	88.83-89.17	88.83-88.88	15c pm-10 dis	0.34	par-25 dis	−0.58
Italy	1,060-1,070	1,061½-1,062½	½lire pm-½ dis	—	½-2 dis	−0.47
Norway	5.5375-5.5540	5.5410-5.5430	2.70-2.20ore pm	5.30	7.20-6.70 pm	5.02
France	5.1450-5.2100	5.1900-5.2000	3.22-3.12c pm	7.32	9.67-9.47 pm	7.37
Sweden	4.7230-4.7350	4.7260-4.7280	0.50-0.30ore pm	1.01	2.15-1.95 pm	1.73
Japan	207.00-209.10	207.45-207.55	1.60-1.45y pm	8.82	5.05-4.90 pm	9.59
Austria	15.89½-15.94	15.90-15.91	11.40-10.80gro pm	8.37	35.00-33.00pm	8.55
Switz.	2.0360-2.0660	2.0455-2.0465	1.79-1.71c pm	10.26	5.22-5.14 pm	10.13

† UK and Ireland are quoted in U.S. currency. Forward premiums and discounts apply to the U.S. dollar and not to the individual currency.

CURRENCY MOVEMENTS

Feb. 16	Bank of England Index	Morgan Guaranty Changes%
Sterling	103.5	—
U.S. dollar	102.2	—
Canadian dollar	85.3	—
Austrian schilling	111.7	—
Belgian franc	106.5	—
Danish kroner	88.2	—
Deutsche mark	116.1	—
Swiss franc	130.1	—
Guilder	110.7	—
French franc	85.3	—
Lira	60.7	—
Yen	146.2	—

Based on trade weighted changes from Washington agreement December, 1971. Bank of England Index (base average 1975=100).

CURRENCY RATES

Feb. 13	Bank rate %	Special Drawing Rights	European Currency Unit
Sterling	14	0.551872	0.515926
U.S. $	13	1.22437	1.13854
Canadian $	17.15	1.47084	1.42255
Austria Sch.	6¾	19.0285	18.4250
Belgium F.	12	43.1986	41.7[illegible]
Danish K.	11	8.24674	7.98605
D mark	7½	2.68321	2.60460
Guilder	9	2.91890	[illegible]
French Fr.	9½	[illegible]	[illegible]
Lira	16½	[illegible]	[illegible]
Yen	7¼	251.585	[illegible]
Norwgn. Kr.	9	6.70088	[illegible]
Spanish Pta.	8	108.595	[illegible]
Swedish Kr.	12	5.68958	[illegible]
Swiss Fr.	3½	2.46488	[illegible]
Greek Dr'ch.	—	—	[illegible]

OTHER CURRENCIES

Feb. 16	£	$		Note Rates
Argentina Peso	5094-5114	2261-2271	Austria	35.50-35.90
Australia Dollar	1.9550-1.9590	0.8670-0.8675	Belgium	83.00-84.00
Brazil Cruzeiro	157.92-158.92	70.18-70.51	Denmark	15.40-15.55
Finland Markka	9.39½-9.40½	4.1600-4.1680	France	11.63-11.74
Greek Drachma	119.142-121.166	53.10-53.20	Germany	5.04-5.09
Hong Kong Dollar	12.09-12.11	5.3560-5.3590	Italy	2430-2530
Iran Rial	173.50*	74.26*	Japan	466-474
Kuwait Dinar (KD)	0.615-0.621	0.2752-0.2755	Netherlands	5.46½-5.51½
Luxembourg Frc.	81.55-81.65	36.59-36.61	Norway	12.44-12.56
Malaysia Dollar	5.1625-5.1725	2.2875-2.2905	Portugal	127½-136½
New Zealand Dlr	2.4330-2.4380	1.0785-1.0795	Spain	193½-202
Saudi Arab. Riyal	7.49-7.56	3.3435-3.3455	Sweden	10.57-10.67
Singapore Dollar	4.7550-4.7650	2.1070-2.1100	Switzerland	4.61½-4.66
Sth African Rand	1.7570-1.7615	0.7785-0.7805	United States	2.24-2.26
U.A.E. Dirham	8.24-8.30	3.6725-3.6745	Yugoslavia	85½-88

Rate given for Argentina is free rate. * Selling rate.

EXCHANGE CROSS RATES

Feb. 16	Pound Sterling	U.S. Dollar	Deutschem'k	Japan'se Yen	French Franc	Swiss Franc	Dutch Guild'	Italian Lira	Canada Dollar	Belgian Franc
Pound Sterling	1.	2.257	5.070	468.0	11.72	4.618	5.510	2397.	2.721	81.60
U.S. Dollar	0.443	1.	2.246	207.4	5.193	2.046	2.441	1062.	1.206	36.15
Deutschemark	0.197	0.445	1.	92.31	2.312	0.911	1.087	472.7	0.537	16.09
Japanese Yen 1,000	2.137	4.823	10.83	1000.	25.04	9.866	11.77	5121.	5.814	174.4
French Franc 10	0.853	1.926	4.326	399.3	10.	3.940	4.701	2045.	2.322	69.62
Swiss Franc	0.217	0.489	1.098	101.4	2.538	1.	1.193	519.0	0.589	17.67
Dutch Guilder	0.181	0.410	0.920	84.94	2.127	0.838	1.	434.9	0.494	14.81
Italian Lira 1,000	0.417	0.942	2.116	195.3	4.890	1.927	2.299	1000.	1.135	34.05
Canadian Dollar	0.368	0.829	1.863	172.0	4.307	1.697	2.025	880.7	1.	29.99
Belgian Franc 100	1.225	2.276	6.213	573.5	14.36	5.659	6.752	2937.	3.335	100.

EURO-CURRENCY INTEREST RATES (Market closing Rates)

Feb. 16	Sterling	U.S. Dollar	Canadian Dollar	Dutch Guilder	Swiss Franc	West German Mark	French Franc	Italian Lira	Belgian Franc Convertible	Japanese Yen
Short term	14⅛-14⅜	17½-17¾	17-18	9⅛-9¼	5¼-6	8½-8¾	10⅛-10¾	15-17	11-11¼	8⅛-8⅜
7 days' notice	14¼-14½	17⅝-17⅞	17-18	9⅛-9⅜	5½-6	10¼-10⅜	10⅛-10¾	16-18	11⅛-11½	8½-8¾
Month	14⅛-14⅜	18⅛-18⅜	17½-17⅞	9⅛-9⅜	7⅛ 7¼	10 10⅛	10¼-10½	17¼-18¼	12⅛-12¼	8⅛-8⅜
Three months	13⅞-13⅛	18⅛-18⅜	17⅝-17¾	9⅛-9⅜	7⅜-7⅞	10⅜-10⅞	10⅞-10⅞	18⅛-19⅛	13⅛-13¼	8⅛-8⅜
Six months	12¾-12⅞	18⅛-18⅜	16⅝-17	10-10⅛	7⅝-7¾	10⅛-10⅜	11⅜-11⅞	18¾-19¼	13⅛-13¾	8⅜-8⅝
One Year	12⅝-12¾	17⅛-17¾	17-17⅜	10⅛-10⅞	7⅛-7⅞	10⅝-10¾	12⅛-12¾	18¾-19¾	13⅛-13¾	8⅛-8⅜

SDR linked deposits: one-month 13$^{15}/_{16}$-14$^{5}/_{16}$ per cent; three-months 13⅞-14¼ per cent; six-months 13$^{15}/_{16}$-14$^{5}/_{16}$ per cent; one year 13$^{7}/_{16}$-13$^{13}/_{16}$ per cent.

Asian $ (closing rates in Singapore) one-month 18-18⅛ per cent; three-months 18⅛-18¼ per cent; six-months 18$^{5}/_{16}$-18$^{7}/_{16}$ per cent; one year 17$^{5}/_{16}$-17$^{7}/_{16}$ per cent. Long-term Eurodollars two years 16⅛-16⅜ per cent; three years 15⅞-16 per cent; four years 15½-15⅝ per cent; five years 15¼-15½ per cent; nominal closing rates. *Short-term rates are call for sterling, U.S. dollars, Canadian dollars and Japanese yen; others two-days' notice.*

The following nominal rates were quoted for London dollar certificates of deposit: one-month 17.55-17.65 per cent; three-months 17.85-17.95 per cent; six-months 17.85-17.95 per cent; one year 17.20-17.30 per cent.

FT LONDON INTERBANK FIXING (11.00 a.m. FEBRUARY 16)

3 months U.S. dollars		6 months U.S. dollars	
bid 18 9/16	offer 18 11/16	bid 18 5/8	offer 18 3/4

The fixing rates are the arithmetic means, rounded to the nearest one-sixteenth, of the bid and offered rates of $10m quoted by the market to five reference banks at 11 am each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque Nationale de Paris and Morgan Guaranty Trust.

INTERNATIONAL MONEY MARKET

Europe rates firm

Interest rates were mostly firmer in Europe yesterday. While call money remained at 9.05-9.15 per cent in Frankfurt, longer term rates rose, reflecting the continued weakness of the D-mark. Three-month money rose to 10.25-10.45 per cent from *10.20-10.35* per cent, and the six-month rate was higher at 10.45-10.60 per cent against 10.40-10.60 per cent previously. Speculation in Frankfurt continued as to what measure, if any, would be introduced by the Bundesbank at Thursday's meeting of the central council, with a rise in key lending rates seen as one possibility as a way of supporting the D-mark internationally.

In Amsterdam short term money stayed at 9.00-9.125 per cent while one-month money rose to 9.375-9.625 per cent from 9.3125-9.5625 per cent. The 12-month rate stood at *10.125-10.375* per cent up from 10.0-10.25 per cent on Friday.

In Paris call money eased slightly to 10⅝ per cent from 10⅞ per cent. Longer term rates showed little change.

In Tokyo money rates continued to ease, in anticipation of another cut in the discount rate. The authorities have cut the rate twice since last August to its current level of 7.25 per cent in order to combat a downturn in the economy. Yesterday unconditional call money was quoted at 8.5-8.625 per cent, down from 8.625-8.75 per cent on Friday and 8.6875-8.8025 per cent a week ago. Period rates have also shown an easier tendency.

UK MONEY MARKET

Large help

Bank of England Minimum Lending Rate 14 per cent (from November 24, 1980)

Day to day credit was in short supply in the London money market yesterday, and the *authorities gave assistance* on a large scale. This comprised small purchases of Treasury bills and local authority bills, and a large amount of eligible bank bills, all direct from discount houses. The latter were paying 13¾-14 per cent for secured call loans for most of the day. The market was faced with a very large excess of revenue transfers to the Exchequer (principally tobacco tax) over Government disbursements, and a moderate amount of bank bills maturing in official hands. On the other side there was the redemption of Treasury 3½ per cent 1979-81 stock.

In the interbank market overnight loans opened at 14-14½ per cent and rose on the forecast to 14½-14⅝ per cent before coming back to 14¼-14½ per cent. During the afternoon rates eased to 13½-14 per cent after touching a high of 14¼-14⅝ per cent. Closing balances were taken around 14 per cent.

GOLD

Little change

Gold fell $3 an ounce from Friday's close to $489-492. The metal opened at $486-489, and dipped briefly to a low of $485-488. However despite renewed strength of the dollar, the metal remained steady, prompting some short covering, so that by the afternoon fixing it had recovered to $490.25. Trading was restricted by the closure of U.S. centres for Washington's birthday.

In Paris the 12½ kilo bar was fixed at FFr 88,000 per kilo ($525.65 per ounce) in the afternoon, compared with FFr 88,500 ($530.11) in the morning and FFr 86,500 ($531.66) on Friday afternoon.

In Frankfurt the 12½ kilo bar was fixed at DM 35,340 per kilo ($488.97 per ounce) against DM 34,900 ($494.05) previously, and closed at $489-492 compared with $490-493.

In Zurich gold finished unchanged from Friday at $489-492 per ounce.

	Feb. 16		Feb. 13	
Gold Bullion (fine ounce)				
Close	$489-492	(£216¼-217¼)	$492-495	(£215¼-216½)
Opening	$486-489	(£215½-216¾)	$487-490	(£212¼-213¼)
Morning fixing	$487	(£216.300)	$492.50	(£214.094)
Afternoon fixing	$490.25	(£217.309)	$491.50	(£214.535)
Gold Coins				
Krugerrand	$505-507	(£223¾-224¾)	$508-510	(£222½-223½)
1/2 Krugerrand	$246-250	(£109-110¾)	$260-264	(£118¼-115¼)
1/4 Krugerrand	$130-134	(£57½-59½)	$132-136	(£57¾-59½)
1/10 Krugerrand	$54-58	(£24-25¾)	$55-59	(£24-25¾)
Mapleleaf	$497-501	(£220¼-222)	$506-508	(£221¼-222¼)
New Sovereigns	$123½-125	(£54¾-55¼)	$124-126	(£54¼-54¾)
King Sovereigns	$148-150	(£65½-66½)	$148-150	(£64¾-65¾)
Victoria Sovs	$148-150	(£65½-66½)	$148-150	(£64¾-65¾)
French 20s	$180-183	(£79¾-81)	$176-179	(£77-78¼)
50 pesos Mexico	$613-618	(£271¾-274)	$612-616	(£268-269¾)
100 Cor. Austria	$477-482	(£211½-213¾)	$477-482	(£208-211)
$20 Eagles	$615-620	(£272½-274¾)	$621-626	(£271¾-274¼)

LONDON MONEY RATES

Feb. 16 1981	Sterling Certificate of deposit	Interbank	Local Authority deposits	Local Auth. negotiable bonds	Finance House Deposits	Company Deposits	Discount Market Deposits	Treasury Bills ⊕	Eligible Bank Bills ⊕	Fine Trade Bills ⊕
Overnight	—	13½-14¾	14-14⅛	—	—	14⅛-14¾	13½-14	—	—	—
2 days notice	—	—	14-14¼	—	—	—	—	—	—	—
7 days or	—	—	—	—	—	—	—	—	—	—
7 days notice	—	14-14⅛	14⅛	—	14¼	14-14⅛	13¾-14	—	—	—
One month	14⅛-13⅞	14-14⅛	14-14⅛	15½-15	14¼	14-14⅛	13¾-14	[illegible]	[illegible]	[illegible]
Two months	14⅛-13⅞	13¾-13⅞	14-13¾	14¾-14½	13¾	13⅞-14	12-13¼	[illegible]	[illegible]	[illegible]
Three months	13⅛-13	13⅛-13⅛	13⅛-13¾	14½-13¼	13¼	13⅛-13⅛	12⅞-12¾	[illegible]	[illegible]	[illegible]
Six months	12⅞-12¾	12⅞-12⅛	12⅞	13¼-12⅞	12⅞	—	—	—	—	—
Nine months	12⅞-12⅜	12⅛-12⅜	—	12⅞-12⅜	12¾	—	—	—	—	—
One year	12⅝-12⅜	12⅝-12⅞	12⅛-12⅞	12⅞-12¾	12⅝	—	—	—	—	—
Two years	—	—	12⅞-12⅞	—	—	—	—	—	—	—

Local authorities and finance houses seven days' notice, others seven days' fixed. Long-term local authority mortgage rates nominally three years 13-13⅛ per cent; four years 13⅛-13¼ per cent; five years 13¼-13⅜ per cent. ⊕ Bank bill rates in table are buying rates for prime paper. Buying rates for four-month bank bills 12⅜-12⅞ per cent; four-month trade bills 12⅞ per cent.

Approximate selling rate for one-month Treasury bills 12⅝ per cent; two-months 12⅝ per cent; three-months 12⅝ per cent. Approximate selling rate for one-month bank bills 13⅜ per cent; two-months 12⅞-12⅞ per cent; three-months 12⅝-12⅞ per cent; one-month trade bills 14⅛ per cent; two-months 13⅞ per cent; three-months 13⅜ per cent.

Finance Houses Base Rates (published by the Finance Houses Association) 16 per cent from February 1, 1981. Clearing Bank Deposit Rates for sums at seven days' notice 11½-12 per cent. Clearing Bank Rates for lending 14 per cent. Treasury Bills: Average tender rates of discount 12.2933 per cent.

MONEY RATES

NEW YORK	
Prime Rate	19-19½
Fed. Fund	—
Treasury Bills (13-week)	—
Treasury Bills (26-week)	—
GERMANY	
Discount Rate	7.5
Overnight Rate	9.10
One month	9.25
Three months	10.35
Six months	10.625
FRANCE	
Discount Rate	9.5
Overnight Rate	10.625
One month	10.9375
Three months	11.0625
Six months	12.1875
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Discount Rate	7.25
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WORLD STOCK MARKETS

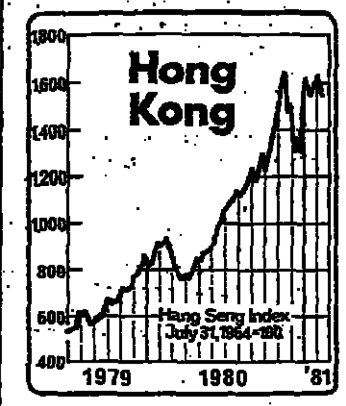
Hong Kong sharply lower

A FRESH sharp retreat across a wide front occurred on Hong Kong markets yesterday in moderate trading, taking the Hang Seng index down 36.21 more to 1,537.46.

The index has now lost 113.16, or 6.86 per cent, in the six trading days since the start of the Chinese Lunar New Year.

Turnover on the four exchanges totalled HK$427.32m, compared with last Friday's HK$420.56m.

Prices progressively lost ground on steady selling. Dealers said there were no obvious reasons, although anxiety that U.S. interest rates could remain high for some time and nervousness ahead of President Reagan's State of the Nation speech was probably depressing sentiment.



Among the leaders, Cheung Kong lost HK$1.00 to HK$35.25, Swire Pacific "A" 80 cents to HK$14.40, Jardine Matheson 70 cents to HK$24.30, HK Wharf 40 cents to HK$9.30, Hutchison Whampoa 70 cents to HK$17.80 and HK Land 40 cents to HK$11.60.

Carrian shed 25 cents to HK$8.55, New World 25 cents to HK$6.55, Trafalgar 25 cents to HK$ 6.95 and Sun Hung Kai Properties 60 cents to HK$19.10.

Canada

The recent downtrend was continued across a broad front yesterday morning in fairly light trading.

The Toronto Composite index fell 9.0 more to 2,214.1 at midday, while Golds shed 15.2 to 4,069.3, Oil and Gas 14.9 to 4,452.4 and Metals and Minerals 16.0 to 2,149.3. In Montreal, Banks declined 2.67 to 410.93 and Papers 1.57 to 235.05.

All U.S. markets were closed yesterday for the Washington's Birthday holiday.

Among Oil shares, volume leader Gulf Canada lost ¼ to C$27 on 53,007 shares in Toronto. Petrofina eased ⅜ to C$108 and Dome Petroleum ½ to C$80½, but Imperial Oil "A" put on ¼ to C$33¼.

Consolidated-Bathurst "A" receded ¼ to C$23⅞. The company said it has agreed to sell its 1.8m shares of Abitibi to Federal Commerce and Navigation for an undisclosed amount of cash. Trading in Abitibi was halted at the opening, pending news. It last traded at C$27⅞.

Noranda, C$28¼, Inco, C$22⅞ and Alcan, C$33⅞, were each off ¼.

Tokyo

The market made a steadier showing after the recent marked setback, helped by some bargain hunting. However, trading was very quiet due to high outstanding buying contracts in margin trading.

The Nikkei Dow Jones Average, having fallen 46.40 more in Saturday's half-day session, picked up 4.70 to 7,165.52. The Tokyo SE index, off a further 2.67 on Saturday, rallied 0.62 to 502.22. Rises outscored falls on the Frist Market section by 327 to 293 following volume of only 170m shares, against last Friday's 250m.

Pharmaceuticals and Machine Tools tended to improve, while Precision Instruments were mainly easier, but Oils and Non-ferrous Metals were easier. Light Electricals were mixed.

Matsushita Electric gained Y20 to Y815, Nippon Electric Y7 to Y537, Takeda Y17 to Y784, Tanabe Y48 to Y828, Daiichi Corporation Y50 to Y860, Trio-Kenwood Y64 to Y774, Toshiba Ceramic Y51 to Y900, Okuma Machinery Y44 to Y940, Hitachi Y2 to Y310 and Nippon Kokan Y3 to Y144.

In contrast, Fuji Photo lost Y7 to Y978, Nippon Oil Y20 to Y1,430 Dowa Mining Y6 to Y365, Toppan Print Y5 to Y480, Toyo Kogyo Y6 to Y319 and Sumitomo Mining Y5 to Y260.

Toyota Motor closed unchanged at Y750 ahead of announcing a sharp decline in after-tax profits for the first half-year.

Germany

Depressed by the Deutsche Mark's latest struggle on Foreign Exchange markets and higher yields on the West German Bond markets, shares were inclined to soften in light turnover. The Commerzbank index eased 2.1 to a new 1980-81 low of 666.4.

Among Electricals, AEG fell DM 4.80 to DM 58.80 after losing a major contract with China. Brown Boveri dipped DM 3.80 to DM 246 after hinting on Friday that rising costs cut profits in 1980 and would restrict growth in 1981. Siemens shed DM 2.40.

Metalgesellschaft, the metals and engineering company threatened by loss of a major Chinese contract, receded DM 2.20 more to DM 315.80 for a two-day fall of DM 6.20.

Public Authority Bonds recorded losses extending to 60 pfennigs, but with Bundesbank purchases limited to DM 2.3m nominal of stock.

Australia

Mining issues mostly continued to decline and Oil issues tended to relinquish further ground, affected by limited overseas interest and depressed Gold Bullion prices. However, good demand was seen for selected Industrials.

The Australian All Ordinaries index receded 4.8 to 649.2, while Metals and Minerals lost 9.7 to 575.6 and Oil and Gas 19.1 to 871.5.

Strata Oil was a bright exception with a rise of 20 cents to A$4.35. Local traders are still pinning their hopes on an oil flow accompanying gas from its Woodad No. 3 well in the Perth Basin.

Also against the trend, Moonie Oil advanced 75 cents to A$17.75, but Woodside Petroleum declined 9 cents to A$2.55, Ampol Exploration 20 cents to A$3.40, Hartogen 30 cents to A$8.50 and Santos 30 cents to A$17.80.

Overall market leader BHP failed to lift sentiment with its better-than-expected interim report, announced late last Friday, and finished another 15 cents down at A$13.50.

Among Golds, GMK lost 10 cents to A$6.70, Emperor 15 cents to A$2.85 and Poseidon 10 cents to A$4.50.

Elsewhere in Minings, MIM retreated 15 cents to A$3.85 but Renison Tin moved ahead 60 cents to A$8.30.

Among Industrials, Dunlop Olympic rose 7 cents to A$1.18 after news of higher interim profits, while bidder North BH was unaltered at A$3.05.

Properties concern Lend Lease climbed 35 cents to A$4.55, its highest price for almost six years, but Bond Holdings lost 17 cents to A$3.00.

Bundaberg Sugar gained 40 cents to A$4.90 on declaring a two-for-one share bonus issue.

Johannesburg

Gold shares displayed an easier bias, with trading thin ahead of the South African mini-Budget and also restricted by the U.S. holiday closure.

Heavyweight producers generally eased between 50 and 100 cents and lesser-priced issues between 10 and 50 cents, but a few shares firmed against the trend.

Industrials were narrowly mixed. Unisec shed 2 cents to R2.68 after annual results.

Indices

NEW YORK —DOW JONES

	Feb. 13	Feb. 12	Feb. 11	Feb. 10	Feb. 9	Feb. 6	1980-81 High	1980-81 Low	Since C'mpil't' High	Since C'mpil't' Low
●Industr'ls	931.67	936.60	942.49	948.63	947.18	952.30	1004.69 (6/1/81)	759.13 (21/4)	1051.70 (11/1/73)	41.22 (2/7/32)
H'me B'nds	63.00	63.13	63.14	63.59	63.87	63.83	76.61 (25/6)	60.96 (18/12)	—	—
Transport.	389.37	391.79	396.34	401.19	402.34	408.64	425.68 (28/11)	233.69 (27/5)	425.68 (28/11/80)	12.23 (8/7/32)
Utilities	108.11	109.29	110.15	110.81	111.87	112.20	117.81 (5/1/81)	95.04 (27/5)	163.32 (20/4/69)	10.5 (28/4/42)
Trading Vol 000's†	35,560	34,700	37,770	40,820	38,350	45,820	—	—	—	—

●Day's high 940.19 low 926.45

Ind. div. yield %	Feb. 6	Jan. 30	Jan. 23	Year ago (approx)
	5.75	5.75	5.79	6.60

STANDARD AND POORS

	Feb. 13	Feb. 12	Feb. 11	Feb. 10	Feb. 9	Feb. 6	1980/81 High	1980/81 Low	Since Cmpil't'n High	Since Cmpil't'n Low
‡Indust'ls	144.11	144.54	145.44	146.56	146.55	148.13	160.96 (28/11)	111.09 (27/7)	160.96 (28/11/80)	3.52 (30/6/32)
§Composite	126.98	127.48	128.24	129.24	129.27	130.60	140.52 (28/11)	98.22 16/2/80	140.52 (28/11/80)	4.40 (1/6/32)

	Feb. 12	Feb. 4	Jan. 28	Year ago (approx)
Ind. div. yield %	4.67	4.70	4.57	4.81
Ind. P/E Ratio	9.07	9.09	9.23	8.45
Long Gov. Bond Yield	12.81	12.32	12.11	11.85

N.Y.S.E. ALL COMMON

Feb. 13	Feb. 12	Feb. 11	Feb. 10	1980 81 High	1980 81 Low
72.80	73.05	73.47	73.98	81.02 (28/11)	55.30 22/1/80

Rises and Falls	Feb. 13	Feb. 12	Feb. 11
Issues Traded	1,857	1,847	1,856
Rises	518	463	535
Falls	933	968	922
Unchanged	406	416	399
New Highs	—	30	41
New Lows	—	24	16

MONTREAL

	Feb. 13	Feb. 12	Feb. 11	Feb. 10	1980/81 High	1980/81 Low
Industrials	371.60	371.23	370.60	374.19	423.80 (29/2/80)	325.31 (27/5)
Combined	352.82	353.16	353.00	356.56	370.96 (20/10)	286.90 (27/5)
TORONTO Composite	2223.1	2229.7	2257.73	2255.9	2402.2 (28/11)	1702.5 (27/5)

NEW YORK ACTIVE STOCKS

Friday	Stocks traded	Closing price	Change on day
Digital Equipmnt.	526,000	82	−1¾
Sony	446,000	15⅛	− ⅛
Gen. Pub. Ut.	410,300	4⅝	+ ⅛
Boeing	385,500	34⅞	− ⅝
IBM	373,000	61⅞	− ⅛
Ralston Purina	367,600	11⅝	− ⅛
FT. Pen. Mtg.	365,000	1½	—
Reynolds Ind.	358,100	42⅝	−1⅜
Pepsico	329,600	31½	− ½
Comp. Science	271,400	18	−1⅛

	Feb. 16	Feb. 13	Feb. 12	Feb. 11	1980/81 High	1980/81 Low
AUSTRALIA						
All Ord. (1/1/80)	649.2	653.8	658.3	663.2	746.2 (17/11)	509.1 (3/1/80)
Metal & Minrls. (1/1/80)	575.6	585.3	595.2	808.5	918.0 (17/11)	492.3 (28/3)
AUSTRIA						
Credit Aktien (2/1/62)	65.85	64.15	64.09	64.01	69.40 (7/1/80)	65.85 (16/2/81)
BELGIUM						
Belgian SE (31/12/63)	65.80	84.64	85.51	85.21	105.75 (11/2/80)	82.42 (7/1/81)
DENMARK						
Copenhagen SE (1/1/73)	104.21	104.98	104.10	104.00	104.98 (13/2/81)	74.78 (6/5)
FRANCE						
CAC General (29/12/81)	106.8	106.9	107.0	106.90	120.8 (5/11)	97.1 (3/1/80)
Ind Tendance (31/12/80)	99.8	99.8	99.5	98.90	100.0 (31/12/80)	95.4 (27/1/81)
GERMANY						
FAZ-Aktien (31/12/58)	217.00	216.64	217.85	217.96	238.89 (25/2/80)	212.73 (28/5)
Commerzbank(Dec. 1953)	666.4	668.6	672.2	673.1	749.2 (25/2/80)	666.4 (16/2/81)
HOLLAND						
ANP-CBS General (1970)	89.7	89.5	89.5	89.9	90.0 (9/2/81)	74.0 (27/5)
ANP-CBS Indust. (1970)	67.5	67.5	67.1	67.1	68.2 (11/1/80)	58.2 (28/3)
HONG KONG						
Hang Seng Bank (31/7/64)	1537.46	1573.67	1575.95	1604.05	1654.57 (13/11)	738.9 (19.3)
ITALY						
Banca Comm. Ital (1972)	211.50	213.67	208.56	208.88	213.67 (13/2/81)	83.11 (2/1/80)
JAPAN						
Dow Average (16/5/49)	7165.52	7207.22	7261.49	(c)	7522.06 (2/2/81)	6475.93 (27/3)
Tokyo New SE (4/1/68)	502.22	504.27	507.41	(c)	511.94 (2/2/81)	449.01 (10/3)
NORWAY						
Oslo SE (1/1/72)	116.42	116.22	116.94	116.82	144.78 (14/2/80)	110.12 (28/3)
SINGAPORE						
Straits Times (1966)	749.27	773.73	771.56	763.79	773.73 (13/2/81)	429.75 (3/1/80)
SOUTH AFRICA						
Gold (1958)	(u)	598.9	579.9	609.6	1026.1 (22/9)	496.5 (18/5)
Industrial (1958)	(u)	562.0	552.8	552.3	660.5 (5/11)	466.0 (2/1/80)
SPAIN						
Madrid SE (30/12/80)	(c)	115.91	112.56	111.48	115.91 (13/2/81)	100.0 (30/12/80)
SWEDEN						
Jacobson & P. (1/1/58)	469.71	463.89	455.37	447.16	469.71 (16/2/81)	364.72 (17/1/80)
SWITZERLAND						
Swiss BankCpn. (31/12/58)	287.4	287.8	287.6	290.9	317.9 (11/2/80)	275.0 (28/3)
WORLD						
Capital Intl. (1/1/70)	—	151.6	152.5	155.4	164.8 (20/11)	129.5 (27/5)

Base values of all indices are 100 except Australia All Ordinary and Metals—500; NYSE All Common—50; Standard and Poors—10; and Toronto—1,000; the last named based on 1975. † Excluding bonds. ‡ 400 industrials. § 400 industrials plus 40 Utilities, 40 Financials and 20 Transports. (c) Closed.

Professor **Cedric Sandford** describes a study of costs to both traders and the Customs and Excise

The costs (and benefits) of collecting VAT

SINCE ITS inception one vital *question on VAT has remained* unanswered: "How much does it cost to operate?" We must count not only the costs to the revenue authorities (administrative costs) but also the costs of the 1½m traders who act as tax-collectors (compliance costs).

A study, published last month* offers a reasonably firm indication of the size and the distribution of these compliance costs. The research centred on a national mail survey *of the costs of registered* traders in 1977-78. A representative sample of some 3,000 businesses responded, and the replies were grossed up on the basis of the total number of firms in each size range within each of nine business sectors. The mail survey was supplemented by telephone and personal interviews and interviews were also held with professional advisers on VAT.

Various alternative estimates of compliance costs were made on different assumptions. But the estimate—considered by the research team to be the best the data would permit—using the figures given by respondents (including the value placed on their own time by proprietors and partners doing their own VAT work) was £392m. The official administrative costs for 1977-78 were £85m.

Changes

With VAT revenue at £4.2bn the compliance costs represented more than 9 per cent of revenue while administrative costs were 2 per cent. In other words, in 1977-78 the real cost of collecting each £100 of VAT was more than £11. Even if this figure substantially overestimates compliance costs (and there is no reason to believe this is so) the cost of operating VAT in 1977-78 was disproportionately high.

However in assessing these costs, and in particular in considering the situation now, other factors must be taken into account and we must allow for some crucial changes since 1977-78.

A significant proportion of these costs, *to traders and to the* Customs and Excise, result from administering the zero-rate of tax. Large business sectors, like *agriculture and new construction,* attract administrative and compliance costs but yield no revenue. If zero-rated goods (other than exports) were rated positively, even at reduced rate as in most EEC countries, administrative costs might fall (because of the reduction in repayments) but in any case the yield of the tax would rise and *the ratio of costs to revenue fall.*

Further, many businessmen can show substantial offsets to their compliance costs in the form of (a) managerial or (b) cash flow benefits.

Managerial benefits arise from the *improved record-keeping* that VAT has required of some firms, especially smaller ones, which may result in better *decision-making* and improved efficiency.

For firms of less than £100,000 turnover, over 40 per cent agreed that purchase records were better kept, and more than 30 per cent that sales records were better kept. However, of these, only 7½ per cent felt able to give the "benefit" a positive value. About twice as many gave a zero value—their attitude clearly was: "Our records are better kept: So what?"

Of specific cost savings 25 per cent agreed that they saved money by doing more of their own accounts, 8 per cent claimed improved stock control, while smaller percentages held that they had claimed discounts more frequently, reduced the number of bad debts or gained other miscellaneous advantages.

Probably more significant, in aggregate, are the net cash flow benefits *to* business.

The trader who pays tax on his inputs and collects it on his outputs will normally (assuming *the rate of tax on input and output* is the same) be collecting more tax than he pays. If, for the moment, we ignore the *effect of commercial credit* periods by assuming that the trader pays cash for his purchases and his customers pay *him cash on his sales, the additions* to his cash flow resulting from VAT will depend on the value-added by the firm, the rate *of* tax and the average holding period before the net VAT collected is passed to Customs and Excise.

The collection period is three months, so that, with an even flow of payments and receipts, the average amount of VAT held from collection throughout the year is half of the VAT collected in each quarter, i.e. 1½ months VAT or 3/24ths of the annual payment. Then firms are allowed one month before they are required *to make their payment* and return. Assuming they pay on the last day of the month, they thus hold three months net VAT for one month each quarter, the equivalent of one month's VAT each month or 1/12th of the annual payment. Combining the holding from collection and payment periods gives an average holding of 5/24ths of annual VAT *payments.*

COSTS OF OPERATING VAT*

	Estimated compliance costs £m	Official administration costs £m	VAT revenue £bn	Compliance costs as percentage of revenue	Administration costs as percentage of revenue
1977-78	392	85	4.2	9.3	2.0
1980-81	540	120†	12.5†	4.3	1.0

* No allowance for benefits. † Estimates.

Thus, if the value added by a firm is £100,000 and the VAT rate on inputs and outputs is 8 per cent, the cash flow benefit from VAT will be £100,000 x 8/100ths x 5/24ths=£1,667. The *value* of this cash flow benefit depends on the general level of interest rates and the circumstances and creditworthiness of the trader. Thus, if the trader were paying 10 per cent on an overdraft throughout the year, the credit would be worth £167 per annum — the saving on his overdraft charges.

The converse situation holds for repayment (zero-rated) traders who pay tax on their inputs and then have to recover it from the revenue authorities. However, regular repayment traders are permitted to submit claims monthly, and Customs and Excise normally meet claims within two weeks; thus the credit disadvantage of being a repayment trader is less than the credit advantage of being a "payment" trader.

In practice the distribution of the cash flow benefits and detriments is much affected by commercial credit arrangements. For example, a retailer who sells much of his output *for cash, but enjoys a long* credit period on his purchases, gains above-average benefit. He obtains his output VAT *promptly; he postpones* payment of input tax; but, because the "tax point" is the date on the invoice, he can *offset input tax against output* tax even before he has paid it. A repayment trader may also be able to get a cash flow benefit *if he enjoys a long credit on* his purchases, for he may obtain repayment of the VAT liable on his inputs before he has actually paid for them.

In 1977-78 the net credit to the business comunity arising from VAT, on certain reason*able assumptions about time* taken in payments and repayments, was some £1.05bn. Valuing this benefit at 7 per cent (the average MLR for that year) gives a figure of £73m. Together with the value of managerial benefits, this is a substantial offset to the £392m *estimate of compliance costs in* 1977-78.

Since 1977-78 various measures have been introduced to simplify VAT. Above all, a major simplification was effected by the elimination in 1979 of a separate "higher" rate above standard rate. Data from the research suggested that the existence of higher rate probably added some £32m to compliance costs in 1977-78; it also increased administrative costs.

A *second major change,* which has affected both the cost:revenue ratio and the size of the cash flow benefit is the *rise in VAT revenue, mainly* due to the increase in standard rate to 15 per cent. The estimated revenue from VAT, *1980-81, is £12.45bn, almost* three times the 1977-78 figure. There is no reason to believe that the change of rate (as distinct from rate structure) increased compliance or administrative costs other than very temporarily.

Allowing for the saving from the abolition of the higher rate, and up-rating the 1977-78 figure of compliance costs by 50 per cent (broadly in line with actual and expected wage increases over the period) gives an estimate of around £540m *for the current year of some 4.3* per cent of expected revenue 1980-81. Administrative costs will fall to about 1 per cent. Both figures compare favourably with cost:revenue ratios for income tax.

On the benefit side the big rise in standard rate has increased the size of the cash flow benefit compared with 1977-78, while higher interest rates have increased its value. The net cash flow benefit from VAT to the business sector in 1980-81 must be upwards of £3bn; at an interest rate of 15 per cent this is worth at least £450m This sum compares with the compliance cost estimate of £540m and, when managerial benefits are taken into the reckoning, must mean that net compliance costs are very small, possibly even negative.

Can we, then, ignore VAT compliance costs? There are three good reasons why not. First the value of the cash *benefit as an offset* to compliance costs is large at the moment because of abnormally high interest rates. When interest rates *fall so will* the value of the benefit. Total net compliance costs could then be significant.

Second, even if traders' compliance costs were fully offset by benefits, so that there was no net cost to the business community, there would still be a resource cost to the community as a whole. Resources are taken up in running VAT which might be *used in more productive* ways.

We need to distinguish between the two types of benefit. Improved record-keeping of firms which generates improved business efficiency, is an offset *not only to the compliance costs* of the firms directly concerned but also to the costs of the community. But the cash flow benefit is in the nature of a transfer which may offset the resource costs to the trader, but not to the community as a whole.

Inevitable

The point can be put in another way. There is a very real sense in which the cash flow benefit to business can be regarded as a cost to the public sector. The Exchequer is, in effect, making a large interest-free loan to business. Some such "loan" is inevitable, because it would be impossible for businesses to pass VAT to Customs and Excise immediately they collected it: some period must be allowed for collection, for preparing returns and making payment.

If the collection period for VAT were reduced to one month and the payment period to 10 days, well over £2bn could be knocked off the Public Sector Borrowing Requirement "at a stroke." While this would be a once-and-for-all effect, the interest saving would be continuous. In the present state of British industry, such a change is *not recommended.* But it illustrates the point.

Finally, and perhaps most important, compliance costs matter because the *total costs* and benefits are very unevenly distributed. They depend, among other factors, on the size, business sector, VAT rating and the commercial credit situation of firms. In particular, the compliance costs of small firms are disproportionately large.

In 1977-78, small traders in the turnover range £10,000 to £20,000 were estimated, on average, to incur compliance costs of £12.30 for every £1,000 of goods sold; traders with a *turnover above £1m had average* compliance costs per £1,000 sales of only 40p.

Currently, for many large *firms with sophisticated accounting* systems the value of the cash benefit greatly exceeds the compliance cost. For many *small* firms the cost of compliance remains a very real burden.

* Costs and Benefits of VAT, by Cedric Sandford, Michael Godwin, Peter Hardwick and Ian Butterworth of Bath University Centre for Fiscal Studies. Heinemann Educational Books, 172 pp Cmnd. £18.75.

Prof. Sandford is Professor of Political Economy and director of the Centre for Fiscal Studies at the University of Bath.

APPOINTMENTS

Senior staff changes at ECGD

The EXPORT CREDITS GUARANTEE DEPARTMENT has made two senior staff changes following the retirement of Mr. Ellis Panton, Under Secretary.

Mr. R. T. Kemp, Under Secretary, has taken Mr. Panton's place in charge of one of the Department's two project underwriting groups. Mr. D. H. Twyford, on promotion to Under Secretary, has succeeded Mr. Kemp as head of the departmental services group.

*

Mr. Denis Roberts, who retired recently as managing director of the Post Office, has been appointed chairman of the newly-formed BRITISH PHILATELIC TRUST.

*

Mr. Roger Jansen has been appointed financial director designate of the WATERGLADE JASTA GROUP. He was formerly company secretary of Lessor Land.

*

The Secretary for the Environment has made the following appointments to the PROPERTY SERVICES AGENCY ADVISORY BOARD under the chairmanship of Mr. G. N. Hobbs. They are Mr. N. C. Baker, Mr. F. G. Beanie, Mr. A. W. Cox, Mr. R. C. Drake, Mr. F. C. Graves, Professor E. Happold, Mr. J. P. D. Heyward, Mr. B. J. Hill, General Sir Patrick Howard-Dobson, Mr. D. N. I. Pearce, Mr. P. Radford and Sir Geoffrey Wardale.

*

STERLING - WINTHROP GROUP has formed its operating divisions into three groups under the following presidents: Mr. Neil Appleton, prescription medicines, Mr. Richard Brown, industrial products, and Mr. Colin Twaite, consumer products. They report to Mr. James D. Houston, recently appointed managing director of Sterling-Winthrop operations in the UK.

*

Mr. Ian A. Duncan has been appointed to the Board of PENTOS as finance director.

*

Sir Peter Proby has been appointed Lord-Lieutenant for the COUNTY OF CAMBRIDGESHIRE in succession to Lieutenant-Colonel Peter Brassey, who has retired. Sir Peter was Bursar of Eton College from 1953-71.

*

Mr. Peter Debney has been appointed to the Board of COMPUTER SERVICES CENTRE GROUP.

*

Mr. H. V. Liney has retired as managing director and from the Board of JET PETROLEUM. Mr. R. Ramage has been appointed a director.

*

Mr. Roy H. Jenkins has joined JAMES HALSTEAD LIMITED as contract sales marketing director and Mr. David Morish has been appointed retail sales marketing director. The parent concern is James Halstead (Holdings).

*

Mr. Gerald Rubenstein has been appointed director and general manager of G. AND E. BRADLEY (Bradley Electronics), part of SMEC, a Lucas subsidiary. He succeeds Mr. Felix Sturm, who has taken over responsibility for the hydraulics division of SMEC as divisional general manager and remains on the Broadley Board. Mr. Rubenstein was manager of Bradley Services.

*

Dr. Brian Jarman was appointed a director of the MEDICAL SICKNESS ANNUITY AND LIFE ASSURANCE SOCIETY.

*

Mr. D. R. Hampton has been appointed secretary of AAH and of British Fuel Company from March 1. He will succeed Mr. W. D. D. Allen, who relinquishes those positions but will continue as an executive director of AAH on a part-time basis.

*

Mr. Richard Gray has been appointed managing director of PAGE BROS. (NORWICH). Mr. Les Aarons, works manager, and Mr. Peter le Saux, sales and marketing manager of HARRISON COLOUR INTERNATIONAL, have joined the Board of that concern. The companies are members of the Harrison Printing Group. Mr. Gray was previously with British Printing Corporation.

OVERSEAS

AMAX INC., U.S. has appointed four executive vice presidents to the executive office. They are Mr. R. Bern Crowl, who has been named chief financial officer: Mr. Chester O. Ensign, responsible for base and precious metals interests: Mr. John W. Goth, controlling interests in molybdenum, nickel, tungsten, magnesium and speciality metals; and Mr. Elwin E. Smith, in charge of coal, oil, gas and industrial minerals.

In addition, new management responsibilities have been designated for Mr. Martin V. Alonzo, senior vice president of the company, who has become president of the industrial minerals division; Mr. David George Ball, vice president and secretary, has been given the additional responsibility of investor relations: Mr. Malcolm B. Bayliss, vice president and general counsel is now senior vice president: Mr. Edward S. Miller has been appointed senior vice president, corporate administration; and Mr. H. Stanley Dempsey, vice president of the company, is to have executive responsibility for investments in Australia. He will be based in Australia.

*

Mr. Walter J. Schroeder has been elected chairman of the ASSOCIATION OF CONSULTING MANAGEMENT ENGINEERS, U.S. Mr. Schroeder is the chief operating officer of A. T. Kearney Inc. and from 1972 to 1979 he was managing director of A. T. Kearney Limited in London. He becomes the first person to serve as chairman of both management consultants organisations.

*

Mr. E. V. Gregg Rice has been appointed vice president—Europe, Africa and Middle East for GTE LIGHTING PRODUCTS, Geneva, Switzerland. He succeeds Mr. Marcel Gaudette who has retired.

*

Natomas Company has made the following appointments in its principal subsidiary, NATOMAS ENERGY COMPANY. Mr. John M. Seidl has been named president of Natomas North America, Inc., the company's domestic petroleum operation, and Mr. Bill M. Van Meter has moved to Natomas Energy's San Francisco headquarters as executive vice president with expanded responsibilities.

*

Mr. Joseph A. Saitta has been appointed vice president, news, of TIMES MIRROR BROADCASTING. He will be headquartered in New York.

*

Mr. Harold B. Ehrlich, chairman and chief executive officer of Bernstein-Macaulay, Inc., has been elected to the Board of DISCOVERY OIL, Los Angeles.

*

Mr. Michael I. Sovern, president of Columbia University, has been elected to the Board of CHEMICAL NEW YORK CORPORATION and its primary subsidiary, CHEMICAL BANK.

*

Mr. Richard S. Truelove, recently appointed director and general manager of Brown Brothers' Middle East operations, has been appointed director of BROWN BROTHERS (OVERSEAS).

*

Mr. David S. Joys has been promoted to executive vice president of RUSSELL REYNOLDS ASSOCIATES, Inc., New York.

*

Mr. Bruce D. Smith has been elected vice president, planning and new ventures, of COMSAT GENERAL CORPORATION, U.S., a subsidiary of COMSAT, the communications satellite corporation.

*

Mr. Robert E. Schoner has been elected vice president of REXNORD, Milwaukee, and continues as president of the company's Nordberg Machinery Group.

*

Mr. Grady C. Brown has been elected chairman of the LIBERIAN SHIPOWNERS' COUNCIL, U.S., for two years and Mr. Stanley Symon has become vice chairman for one year.

*

The following appointments have been made to the Board of PYROTEC NV, of Zoetermeer, the Netherlands, a member of the KTI Group: Dr. Sydney W. Benson, Dr. Hubert G. Davis, Dr. Robert M. Kendall, Dr. Mario Dente and Professor Dr. Ir G. Froment.

*

Mr. Donald C. Vaughn has been appointed president of M. W. KELLOGG CONSTRUCTORS INC., a newly-formed company at Houston, near the headquarters of the M. W. Kellogg Company. Mr. Vaughn has been vice president and director of worldwide construction for Kellogg since 1978.

*

Mr. Hans-Henning Hartleben has become vice-president of GIRARD BANK. He retains his position in the Europe, Middle East and Africa Division of its international banking department in Philadelphia, U.S.

*

Mr. Rudd de Waard has been appointed chief executive of NACAP BV, in Delft, the Netherlands. He replaces Mr. Theo Danel, who has joined the Board of the holding company, ROYAL BOSKALIS WESTMINSTER NV.

*

Mr. Alex D. Hamilton, Mr. Edward R. Kane, and Mr. Stephen F. Keating have been elected to the Board of INCO, of Toronto. Mr. David W. Barr, Mr. Wm. Ward Foshay and Mr. Samuel H. Woolley have retired from the Board.

Weaker £ gives metals early boost

By John Edwards, Commodities Editor

BASE METAL prices were boosted in early trading yesterday by the weakness of sterling against the dollar. But in the afternoon most of the earlier gains were lost.

Turnover on the markets was much reduced by the closure of the U.S. markets for the Washington birthday holiday.

The only market to lose ground, however, was tin, where the cash price closed £20 down at £5,912.5 a tonne. Despite an early boost given by the decline in the value of sterling, the market came under pressure later.

The Straits tin price was down in Penang over the weekend, and tin stocks held in LME warehouses rose by 195 tonnes to a total of 6,460 tonnes.

A big fall in warehouse stocks of lead—down by 3,975 tonnes to 66,825 tonnes—gave an early boost to the market. The upward trend was encouraged as well by threat of a strike by workers at the Broken Hill lead mine in Australia later this week. But profit-taking sales later erased the earlier price rises.

Despite a small rise in nickel stocks, up by 12 tonnes to 3,954 tonnes, the cash price premium over the three months quotation widened.

Cash nickel gained £28.5 to £2,770 a tonne. The three months quotation was only £9.5 higher at £2,732.5.

In the copper market, the unusual development of cash cathodes moving to a premium over wirebars ended, when the cathodes price dipped slightly. Cash wirebars edged marginally higher. Copper stocks fell again by 1,475 to 120,325 tonnes.

● A conference on prospects for strategic metals in the 1980s is to be held in London on June 3. Organised by Commercial and Investment Enterprises, it will feature speakers reviewing production, consumption and merchanting of key metals, such as cobalt, chromium, molybdenum, tungsten and rhodium.

Ghana cocoa purchases

ACCRA—The Ghana Cocoa Marketing Board purchased 8,499 tonnes of cocoa in the 17th week of the 1980 maincrop season (ended February 12) taking cumulative purchases for the season to 235,729 tonnes, compared with 259,882 tonnes in the whole of the 1979 season.
Reuter

Bacon curers may break farmers' price contracts

BY RICHARD MOONEY

BRITAIN'S pig producers have been warned that they may not get the full price negotiated last spring for contracted sales of bacon pigs during the final two months of the current season.

Because of the parlous state of the bacon market and the threat of a large reduction in the levy charged on imports from other EEC countries, FMC, Britain's biggest curer, has given notice that it may have to break the contract negotiated with the National Farmers' Union on behalf of all bacon pig producers.

Under the terms of the contract either side must give four weeks' notice of its intentions to depart from the agreement. FMC, which supplies about 12 per cent of the UK's bacon, has decided it must do this following a pledge by the Danes that they would reduce their selling price in the UK by the full amount of any levy cut.

"It is understood that most other UK curers have taken, or are taking, similar action," the company said yesterday.

Mr. Peter Walker, the Agriculture Minister, has come under increasing pressure to end levies on British food imports by revaluing the "Green Pound"—the artificial exchange rate used to translate EEC farm prices into sterling.

Such action would eliminate the levies charged to compensate for the gap between the Green Pound and sterling. For bacon the levy is running at about 8p a pound.

FMC does not expect this to happen, however, and stressed yesterday the notice to producers had been issued as a purely precautionary measure. It would only break the contract, due to expire in May, in the event of a further fall in the UK wholesale price.

The contract links producers' prices to average auction levels but includes provision for "loss sharing" if the market is unusually weak. Nearly all of the loss-sharing scope has already been used up, however, and any further price cut would have to be borne by the producers alone, unless they cancel the contract.

FMC is three-quarters owned by the NFU but this did not prevent the union issuing a statement "regretting" the decision. Mr. Jim Blanchard, chairman of the NFU pigs committee, complained the union had not been consulted on the terms on which FMC might be prepared to buy pigs if it cancelled the contract.

"Any further reduction from the present price levels, already regarded by many pig producers as unsatisfactory, would jeopardise confidence in the future of bacon production," he warned.

Any reference to a revaluation of the Green Pound was nothing more than speculation, he added.

Mr. Walker has so far shown no sign of bending to pressure for a revaluation, and has publicly supported the view of some producers and processors that a reduction in import levies would add to the profits of foreign producers rather than cut UK food prices.

Delay in Common Fund likely

BY DAVID TONGE

UNITED NATIONS officials in Geneva warned yesterday that a controversial $750m fund to stabilise commodity prices might not be operational by the target date of March 1982.

Last week, oil exporting countries gave a boost to attempts to activate the fund when they agreed to modify the terms under which they are contributing $100m to the so-called Common Fund.

The fund consists of two accounts, a $400m account to finance buffer stock operations in commodities and a $350m "second window" to be used for measures such as export promotion, research and output expansion schemes.

The third world sees the fund, though much smaller than it had hoped, as an important plank for its demand for international economic reforms. Cocoa, rubber, sugar and tin are among the commodities which could be affected by the fund.

Members of the Organisation of Petroleum Exporting Countries are now to provide $37m to cover the contributions to the fund of 35 of the world's poorest countries. A further $16.4m will cover their own contributions. The remaining $46.6m is to be paid into the second window.

The OPEC contributions mean some 70 countries accounting for about 58 per cent of the fund's directly-contributed capital of $470m have now signed the necessary instruments or had their contributions covered.

For the fund to become operational, 90 countries accounting for two-thirds of the fund's capital have to ratify their involvement.

Officials at the UN Conference on Trade and Development which established the fund say that no country has yet proceeded to ratification. They say they are hopeful about the necessary number of countries coming forward but "uncertain about the timescale."

A further condition—that half of the $280m target for voluntary contributions should be exceeded — has already been met.

Soviet rubber purchase

THE Soviet Union has purchased about 9,600 tonnes of rubber for February shipment, against last month's 11,000 tonnes, but there are no indications of any further purchases traders said in London yesterday.

But they said there was talk the Soviet Union might make additional purchases on behalf of Poland. So far, there are no signs of this occurring, at least in London, as the London-based buyer for the USSR is not in Britain.

Dealers noted Poland has been withdrawn from the rubber market because of its problems in obtaining credit.

Overall, rubber trading activity in the past few weeks has been quiet, partly due to high interest rates and recent exchange rate fluctuations, they said.

Indications are that natural rubber consumption in 1981 will increase to about 4.05m tonnes from 3.93m in 1980.

Sale reports push sugar prices down

By Our Commodities Staff

REPORTS of heavy Dominican Republic selling last week pushed world sugar values down yesterday. The May position on the London futures market ended the day £20.875 down at £257.75 a tonne.

Continued discounting on rumours of Soviet purchases, which pushed prices up earlier in the month, plus suggestions that considerable quantities of physical sugar may be contracted against the expiring March futures contract also encouraged the fall, dealers said.

The recent Dominican sales were put at about 110,000 tonnes for shipment up to June-July this year. Prices have not been disclosed.

There had been reports that 20,000 tonnes of this sugar was going to the USSR but the Dominican Republic has denied making any direct sales to that country.

The Dominican Republic is aiming at total production of 1.16m tonnes this year with 750,000 tonnes coming from the State Sugar Council, 225,000 from Central Romana, a Gulf and Western Company, and 85,000 from the Vicini Group. Of this total 221,000 tonnes is to be put aside for domestic consumption, a presidential degree said.

● Africa's net sugar imports will rise to between 2.8m-3m tonnes raw value in 1985 from about 2.2m in 1979-80, sugar analyst Mr. Albert Viton forecast yesterday, Reuter reports.

NZ minister to visit Europe

WELLINGTON — Mr. Brian Talboys, New Zealand Minister of Overseas Trade, will make an urgent visit to Europe over future butter exports to the EEC, Prime Minister Robert Muldoon said yesterday.

Mr. Muldoon said the EEC Commission no longer seemed keen to push through its previous proposal to set post-1980 New Zealand exports of butter to Britain at 90,000 tonnes per annum.

That proposal, vetoed by France, was advocated by the late EEC agricultural commissioner Finn Gundelach.

Mr. Talboys is scheduled to hold talks on butter sales to the EEC with Mr. Poul Dalsager, farm commissioner, on Thursday.

U.S.-MEXICO FISH TREATIES

Neighbours fall out over fishing rights

BY WILLIAM CHISLETT IN MEXICO CITY

ONE OF the first tasks facing the Reagan administration in its relations with oil-rich Mexico is to solve the "fishing war" between the two countries.

The long-standing dispute, which underlies Mexico's desire to build a stronger fishing fleet, came to a head at the end of President Carter's term of office when Mexico served notice on the U.S. that it was ending its two bilateral fishing agreements.

This further strained the traditionally tense relationships between the two countries. When President Jose Lopez Portillo and President Reagan meet on April 27, for the second time in four months, the fishing issue will be high on the agenda.

The 1976 U.S.-Mexico bilateral fisheries agreement will expire at the end of 1981 and the 1977 agreement on June 29. One U.S. fisheries official estimated the losses on both sides to be about $15m (£6.5m) each if no new agreement is reached.

For the U.S., the ending of the agreements means that 78 small tuna vessels, and some 50 boats, fishing snappers and groupers, will no longer be able to fish off Mexico's Pacific and Gulf of Mexico coasts.

Mexico, for its part, will no longer be able to fish pollock off Alaska and squid off New England. Also it cannot apply to fish for any other species deemed to be surplus to the needs of U.S. fishermen.

Mexico has only recently started to fish off the U.S. coast. The U.S., on the other hand, has a long history of fishing in Mexican waters. In 1978, Mexico caught around 4,000 tonnes of lucrative squid, in 1979 about 8,000 tonnes and last year it was aiming to double its catch again.

Mexico's unilateral ending of the two treaties was the final straw in a long sequence of events which Sr. Jorge Castaneda, Mexico's foreign minister, likened to a "Greek tragedy."

The key stages leading to Mexico's renunciation of the treaties were:

● Mexico withdrew from the Inter American Tropical Tuna Commission in 1978 after years of trying to get a satisfactory regional agreement.

The U.S. is the largest member of the Commission which controls catch quotas for the eastern Pacific. Mexico found its quota insufficient, particularly as increasingly large numbers of tuna, a migratory species, are being found in Mexican waters.

● At the end of 1979, Mexico no longer allowed U.S. boats to fish for shrimp in the Gulf of Mexico.

● Mexico announced at the beginning of 1980, it would unilaterally manage tuna in its 200 mile economic zone. The U.S., however, does not recognise the jurisdiction of coastal states over "highly migratory species," which include tuna.

At the same time Mexico declared its new tuna policy, small U.S. tuna vessels from San Diego, California, began to be harassed while fishing off Mexico's Baja California coast.

Mexico stuck to the letter of its tuna agreement with the U.S., which allowed a select group of small boats to fish 12 miles off the Baja California coast.

The U.S., however, understood that no objections would be raised if these boats also fished 12 miles off islands on the coast and in the Gulf of California. But, Mexico drives U.S. boats out of these areas.

The U.S. reacted to Mexico's attitude by ending the country's squid allocation off New England. Subsequently, Mexico seized and fined last July six large tuna boats fishing 12 to 200 miles off the Pacific coast.

The U.S. then imposed an embargo, which is still in force, on all tuna from Mexico.

Mexico ships about half of its tuna to the U.S., the world's largest tuna market. The annual losses from the embargo are estimated at $17m.

Finally, Mexico denounced the treaties.

The main bone of contention between the two sides is over tuna. Mexico insists that it has full rights over all species of fish, regardless of whether they are migratory, in its 200-mile zone.

The main problem for Mexico now is where to sell its tuna. *Officials have claimed that the* tuna which used to go to the U.S. can be sold in Japan, Europe, and domestically. But this is doubtful.

On the other hand, this has not deterred Mexico from pouring millions of dollars into building up its own fleet. The aim is to boost the total catch from 600,000 tonnes in 1976 to 2.4m by 1982.

On the hopes for a new agreement, Sr. Andres Rozenthal, who headed Mexico's team in the fisheries negotiations, says any future discussions will have to start from "scratch."

Scots fishermen call for national strike

BY A CORRESPONDENT

SCOTTISH fishermen whose vessels have been tied up for over two weeks in protest against cheap imports yesterday called for a national stoppage of fishing fleets if the Government do not meet their demands.

The men are defying a call from their leaders for them to return to sea following a decision by fisheries ministers to set up an inquiry into the imports.

The action might also involve blockading oil harbours on the Scottish east coast.

Today leaders of the Scottish fishing industry will meet Mr. Peter Walker, Agriculture Minister, and Mr. George Younger, Scottish Secretary, in London to discuss the question of Government aid to the hard-pressed industry.

Yesterday, action committees from north-east Scottish ports representing the majority of the UK white fish fleet met for three hours in Peterhead where 280 boats are tied up.

After the meeting, fishermen said they wanted a cut in imports of all whitefish and shellfish, with all imported fish labelled with their country of origin.

BRITISH COMMODITY MARKETS

BASE METALS

COPPER—Little changed on the London Metal Exchange, with the market lacking interest owing to the closure of U.S. markets. Forward metal opened at £802.5 and edged up to £803.5 following the sharp fall in sterling against the dollar. However, lack of follow-through and light profit-taking pared the price to £798 on the late kerb. Turnover: 11,300 tonnes.

COPPER	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Wirebars				
Cash	778.5-80	+6.5	775-6	+1
3 months	803-.5	+7	798.5-9	+1.5
Settlem't	780	+6.5	—	
Cathodes				
Cash	778-9	+1.75	772-4	—2.5
3 months	788-.5	+2.75	784-5	—1
Settlem't	779	+2	—	......
U.S. Prod	—		*82-6	......

Amalgamated Metal Trading reported that in the morning cash wirebars traded at £780.5, 81; three months £803.5, 3, 3.5, 4, 3.5. Cathodes, cash £781, 80; three months £791, 90, 89, 88.5. Kerb: Wirebars, three months £802. Afternoon: Wirebars, three months £800, 799, 98, 99, 98.5. Kerb: Wirebars, three months £798.5, 98.

TIN—Marginally easier on balance. Three months opened firmer at £6,150 and rose to £6,160 following the sharp decline in sterling and the fall in stocks. The absence of any consumer support and persistent hedge selling caused the market to lose ground thereafter with the price easing to close the late kerb at £6,090. Turnover 750 tonnes.

TIN	a.m. Official	+ or —	p.m. Unofficial	+ or —
High Grade	£	£	£	£
Cash	5965-70	+67.5	5910-5	—20
3 months	6125-30	+75	6070-80	—2.5
Settlem't	5970	+65	—	.....
Standard				
Cash	5965-70	+67.5	5910-5	—20
3 months	6126-30	+75	6070-80	—2.5
Settlem't	5970	+65	—	......
Straits E.	‡630.46	-0.15	—	......
New York	—	......		

Morning: Standard, cash £5,970; three months £6,150, 40, 45, 40, 30, 25, 20, 25, 30. Kerb: Standard, cash £5,928; three months £6,120, 10, 6,100, 6,095. Afternoon: Standard, cash £5,910; three months £6,090, 80, 75. Kerb: Standard, three months £6,090, 85.

LEAD—Unchanged on balance. Three months rose to £309 in early trading as a heavy fall in stocks and reports that miners at Broken Hill may strike on Thursday prompted persistent bear covering. However, hedge selling and profit-taking pared the price to around £304 in the afternoon prior to a close on the late kerb of £304.5. Turnover: 5,325 tonnes.

LEAD	a.m. Official	+ or —	p.m. Unofficial	+ or —
	£	£	£	£
Cash	297.5-.75	-.625	294.5-5	.....
3 months	307.5-8	—1	304.5-.75	-.125
S ment	297.75	—.75	—	......
U.S. Spot	—	......	*30	......

Morning: Cash £298, 97.5; three months £309, 8, 7, 7.5. Kerb: Three months £307, 6, 5. Afternoon: Three months £305, 4.5, 4.75. Kerb: Three months £304, 4.5, 5.

ZINC—Slightly higher in routine trading as currency considerations lifted forward metal to £328 prior to a close of £325 on the afternoon kerb. Turnover: 4,475 tonnes.

ZINC	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Cash	313.5-4	+2.25	312.5-4	+.75
3 months	325-6	+2.25	324-5	+.25
S'ment	314	+2	—	......
Primw'ts	—	......	*41.5	......

Morning: Three months £328, 28.5, 27, 26.5, 26, 25.5. Kerb: Three months £325. Afternoon: Three months £325.5, 25, 24, 24.5. Kerb: Three months £324.5, 25, 28.

ALUMINIUM—Moved up to a day's high of £660 in early trading, reflecting the decline in sterling, and the large fall in stocks, before easing back on profit-taking to close the late kerb at £649.5. Turnover: 13,300 tonnes.

Alumin'm	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
	£	£	£	£
Spot	641-.5	+11.5	634-6	+4
3 months	656.5-7	+15.2	649.5-5	+5.25

Morning: Three months £656, 59, 58, 59, 59.5, 59, 58, 59, 60, 59, 58, 57, 56.5, 57. Kerb: Three months £656, 56.5. Afternoon: Three months £655, 54, 53.5, 53, 52, 51, 50.5, 50. Kerb: *Three months* 650, 49.5, 49, 48, 49.5.

NICKEL—Firmer, influenced by the weakness of sterling against the dollar, which pushed forward metal ahead to £2,756 prior to a close on the late kerb of £2,735. Turnover: 588 tonnes.

NICKEL	a.m. Official	+ or —	p.m. Unoffic'l	+ or —
Spot	2775-80	+30.9	2765-75	+28.5
3 months	2740-5	+20	2730-5	+9.5

Morning: Three months £2,750, 55, 40, 50, 55, 50, 45. Afternoon: Cash £2,775; three months £2,740, 35. Kerb: Three months £2,738, 40.

* Cents per pound. ‡ M$ per kilo. † On previous unofficial close.

SILVER

Silver was fixed 13.85p an ounce higher for spot delivery in the London bullion market yesterday at 565.25p. U.S. equivalents of the fixing levels were: spot $12.729, up 4.4c; three-month $13.296, up 7.8c; six-month $13.934, up 17.5c; and 12-month $14.986, up 10.6c. The metal opened at 545p-554p ($12.3-$12.5) and closed at 566p-575p ($12.8-$13).

SILVER per troy oz.	Bullion fixing price	+ or —	L.M.E. p.m. Unoffic'l	+ or —
Spot	565.25p	+15.8	573.0p	+19
3 months	582.30p	+14.3	589.5p	+17.5
6 months	601.10p	+17.5	—	.....
12 months	637.50p	+14.8	—	......

LME—Turnover 100 (83) lots of 10,000 ounces. Morning: Three months 578, 79, 80, 79, 81. Kerbs: Untraded. Afternoon: Three months 584, 85, 86, 85.5, 86, 88, 90. Kerb: Three months 590, 89.5, 90, 89, 88.

COCOA

Cocoa futures were barely steady throughout a featureless day for prices to close with marginal losses. Physical business was scarce with both producers and consumers withdrawn from current levels, however second-hand business for nearby shipments of Ghana and other West African cocoas was more active, reports Gill and Duffus.

COCOA	Yes'rday's Close	+ or —	Business Done
March	836-838	+2.0	842-835
May	869-870	—	875-868
July	893-894	—3.0	899-893
Sept.	916-917	—3.0	922-917
Dec.	945-946	—5.0	948-945
March	971-972	—	972-971
May	990-992	+2.0	995-990

Sales: 946 (1,495) lots of 10 tonnes.
ICCO Futures—Daily price for Feb. 13: 89.42 (89.76); five-day average 91.01 (91.39).

COFFEE

Encouraged by a steady New York close Robustas posted gains of £15-£20 during the opening call, reports Drexel Burnham Lambert. However, volume was *disappointing in a narrow trading* range which reflected the one day holiday in the U.S. and the market continuing to neglect a sharp fall in the sterling exchange rate against the dollar.

COFFEE	Yesterday's Close	+ or —	Business Done
	£ per tonne		
March	1021-22	+21.0	1025-13
May	1034-35	+16.0	1035-26
July	*1036-38*	*+8.5*	*1045-33*
Sept.	1043-45	+2.5	1063-48
Nov.	1044-46	+5.0	1050-43
Jan.	1045-55	—5.0	1063
March	1035-80	+2.5	—

Sales: 1,879 (2,055) lots of 5 tonnes.
ICO Indicator prices for February 13: (U.S. cents per pound): Other Mild Arabicas 126.50 (126.00) Robustas ICA 1976 115.38 (114.50); ICA 1968 115.63 (114.75); Unwashed Arabicas unquoted. Comp. daily ICA 1968 unquoted.

GRAINS

LONDON GRAIN FUTURES—A quiet start was seen to trading with a general lack of sellers rallying the wheat market. A good demand was seen for March from commercial and shipper sources. Values closed steady on the day 45p-55p higher. Barley old crops opened 10p lower on May with general sellers easing values further. Short-covering and commercial buying support steadied values slightly, options closing 5p-10 lower. New crops opened unchanged. barley saw good interest and in quiet trade values closed 10p-15p higher, reports Acli.

	WHEAT		BARLEY	
Mnth	Yesterd-ys close	+ or —	Yesterday close	+ or —
Mar.	107.65	+0.55	95.30	—0.05
May	111.55	+0.50	98.60	—0.10
July	115.40	+0.45	—	
Sep.	98.80	—0.05	94.00	+0.10
Nov.	102.50	....	97.65	+0.15
Jan.	105.45	+0.05	101.55	+0.15

Business done—Wheat: Mar. 107.65-107.15, May 111.55-11.05, July 115.45-115.10, Sept. 98.85-98.80, Nov. 102.60-102.50, Jan. no trade. Sales 238 lots of 100 tonnes. Barley: Mar. 95.30-95.20, May 98.50-98.45, July no trade, Sept. 94.00-93.90, Nov. 97.65-97.50, Jan. no trade. Sales 154 lots of 100 tonnes.

HGCA—Locational ex-farm spot prices. Feed barley: Eastern 94.00, E. Midlands 94.60, N. East 95.00, Scotland 94.20. The UK Monetary Coefficient for the week beginning Monday February 23 is expected to remain unchanged.

LONDON GRAINS—Wheat: U.S. Dark Northern Spring No 2 14 per cent Mar. 112.75 transhipment east coast seller. U.S. Hard Winter 13½ per cent Mar. 105.00, April 105.75 transhipment east coast sellers. English Feed fob Feb. 109.50 paid. Maize: French unquoted. S. African Yellow Mar./April 95.00 seller. Barley: English Feed fob Feb. 99.75, Mar. 101.00, April 102.50, April/June 103.00 east coast sellers. Rest unquoted.

RUBBER

The London physical market opened easier with little interest at lower levels, closing on a quiet note. Lewis and Peat reported an fob February price for No. 1 RSS in Kuala Lumpur of 301.25 (302.00) cents a kg and SMR 20 at 260 (same) cents.

No 1. R.S.S.	Yest'r'ys close	Previous close	Business Done
Mar.	56.00-57.50	57.40-57.80	56.20
Apr.	57.00-58.50	58.50-58.70	—
Apr-Jne	58.60-59.00	59.50-59.80	59.50-59.00
Jly-Sept	62.00-62.10	62.90-63.00	63.10-62.00
Oct-Dec	65.10-65.20	65.95-66.00	65.50-65.20
Jan-Mar	68.00-68.10	68.90-69.00	68.10-68.00
Apr-Jne	71.00-71.10	71.80-72.10	—
Jly-Sept	73.80-74.10	74.90-75.00	—
Oct-Dec	76.80-77.00	77.80-78.00	—

Sales: 116 (271) at 15 tonnes and 1 (61) at 5 tonnes. Physical closing prices (buyer) were: Spot 56.00p (56.50p), March 61.00p (61.50p), April 61.50p (62.00p).

SOYABEAN MEAL

The London market opened £1.50 higher on weaker sterling, reports T. G. Roddick. The market drifted lower on featureless trade to close about 50p up on the day.

	Yest'rd'ys Close	+ or —	Business Done
	£ per tonne		
February			
April	124.60-24.7	+0.55	125.90-24.50
June	127.70-27.8	+0.55	129.00-27.80
August	129.50-30.0	—	129.50
October	129.00-31.0	—	—
December	130.00-34.0	+1.50	—
February	129.00-36.0	+0.25	—

Sales: 52 (136) lots of 100 tonnes.

SUGAR

LONDON DAILY PRICE (raw sugar) *£260.00 (£258.00) tonne cif for Feb.-*March-April shipments. White sugar daily price was £283.00 (£293.00).

The market opened slightly below kerb levels and prices soon lost more ground. Commission house stop-loss liquidation was touched off and the market closed at the lows of the day some £14 off the best, reports C. Czarnikow.

No. 4 Con-tract	Yest'rdy's Close	Previous Close	Business Done
	£ per tonne		
Mar	254.00-55.00	271.50-72.00	275.00-55.00
May	257.50-58.00	278.50-78.75	279.00-57.50
Aug	258.00-58.25	274.00-74.25	274.50-56.00
Oct	251.75-52.00	268.50-69.00	269.00-51.50
Jan	245.00-50.00	247.00-49.00	259.00-55.50
March	237.00-57.50	249.50-50.05	241.50-57.00
May	256.00-57.50	248.00-50.00	241.00-57.00

Sales: 8,673 (10,357) lots of 50 tonnes.

Tate and Lyle ex-refinery price for granulated basis white sugar was £342.5 (same) a tonne for home trade and £343.00 (£354.50) for export.

International Sugar Agreement (U.S. cents per pound) fob and stowed Caribbean port. Prices for February 13. Daily price 24.91 (26.39); 15-day average 25.22 (25.30).

POTATOES

LONDON POTATO FUTURES—All positions were lower, with April dropping sharply at the opening but picking up a little from the bottom to trade in a tight range for most of the day, reports Coley and Harper. Closing prices: April 57.60 −140 (high 58.00, low 57.30); Nov. 55.80 −70 (high 56.00, low 55.80); Feb. 63.30 −50 (high 63.90, low 63.30). Turnover: 55 (114) lots of 40 tonnes.

COTTON

LIVERPOOL—Spot and shipment sales amounted to 72 tonnes. Light covering marked the beginning of another trading week, without much support from customers. Scattered demand was chiefly in American growths, the call for African and Middle Eastern styles being rather lethargic.

PRICE CHANGES

	Feb. 16 1981	+ or —	Month ago
Metals			
Aluminium	£810/815	....	£810/815
Free Mkt	*$1435/1465*	....	*$1450/460*
Copper			
Cash w'bar	£775.5	+1	£775
3 mths	£798.75	+1.5	£798.75
Cash Cathode	£773	-2.5	£775.5
3 mths	£784.5	—1	£778.5
Gold troy oz	$490.5	—3	$567.5
Lead Cash	£294.75	....	£276.5
3 mths	£304.625	-0.125	£288.25
Nickel	£3,156	....	£3,226.57
Freemkt	275/290c	....	280/290c
Platin'mtr'y oz	£202	....	£202
Freemkt	£206.10	+0.40	£226.10
Quicksilvert	$390/400	....	$365/375
Silver troy oz	565.25p	+15.85	614.85p
3 mths	582.30p	+14.3	636.85p
Tin Cash	£5,912.5	—20	£5,820
3 mths	£6,075	—2.5	£5,975
Tungsten22.04lb	$144.72	....	$143.90
Wolfrm 22.04 lbs	$149/155	....	$146/148
Zinc Cash	£313.25	—0.75	£322
3 mths	£324.25	....	£334.75
Producers	$825	....	$825
Oils			
Coconut (Phil.)	$595r	+5	$630
Groundnut	....	....	....
Linseed Crude	£400	....	£420
Palm Malayan	$610w	....	$625
Seeds			
Copra Philip	$390	....	$425
Soyabean(U.S.)	$303	....	$330
Grains			
Barley Futures	£98.60	—0.10	£98.75
Maize			
French	‡	....	£121
Wheat			
No 1 Red Spg.	‡		‡
No2 HardWint	£105w	+0.50	£105.25
Eng. Milling†	‡		‡
Other commodities			
Cocoa ship't	£928	+2	£955
Future May	£869.5	....	£894.5
CoffeeF t'May	£1034.5	+16	£1,042
Cotton A.Index	95.35c	+0.05	100.45c
Rubber (kilo)	56p	—0.50	56.75p
Sugar (Raw)	£260	—8	£250
Woolt'ps 64s kl	312p kilo	+3	299p kilo

† Unquoted. w March. x March-April. v Feb.-March. y April. z Indicator. § Buyer. ‡ Per 75 lb flask. * Nominal.

JUTE

JUTE—Feb./Mar. C and F Dundee: BWC £232, BWD £193, BTB £280, BTC £231, BTD £196. Antwerp: BWC $524, BWD $405, BTB $642, BTC $519, BTD $437. Jute gods C and F Dundee: Feb. 40 in 10 oz £9.76, 40 in 7.5 oz £7.65, B Twills £27.55.

TEA AUCTION

LONDON TEA AUCTION—49,819 chests were offered at yesterday's auction. Assams continued to meet with keen competition and prices were frequently 2p-4p dearer, even against the improved levels recorded at last week's close. Bangladesh teas, on the other hand, received less support and shed 2p-4p. East Africans opened irregular but closed fully firm with brighter types often dearer, particularly dusts. Central Africans came in for good demand at steady rates. Ceylons sold readily at firm rates. Quotations: Quality 122p a kilo (120p); Medium 104p (96p); Plain 67p (66p).

WOOL FUTURES

LONDON NEW ZEALAND CROSSBREDS—Close (in order buyer, seller, business, sales). New Zealand cents per kilo. Mar. 349, 354, 350, 2; May 352, 354, 353, 2; Aug. 363, 364, nil, nil; Oct. 372, 374, 373, 2; Dec. 375, 378, nil, nil; Jan. 377, 379, nil, nil; Mar. 379, 382, 384-383, 2; May 381, 385, 386-385, 3; Aug. 383, 388, nil, nil. Sales 11.

SYDNEY GREASY WOOL—Close (in order buyer, seller, business, sales). Australian cents per kilo. Mar. 482.5, 485.0, 485.0-482.0, 47; May 492.7, 493.0, 494.5-491.1, 38; July 503.2, 503.5, 506.0-502.0, 158; Oct. 499.2, 499.5, 501.0-499.0, 24; Dec. 504.2, 505.0, 506.0-504.0, 28; Mar 509.2, 513.0, nil, 5; May 518.0, 518.0, 515.0-615.0, —; July 522.0, 528.0, nil, nil. Sales 300.

BRADFORD—Business was quiet, but the market firmer. The sudden weaken*ing of sterling against the dollar caused* some prices to be quoted higher. But demand has not improved as buyers tend to hold out for prices more in line with previous quotations.

EUROPEAN MARKETS

ROTTERDAM, February 16.

Wheat—U.S. Two Dark Hard Winter 13.5 per cent Feb. $220, Mar $221, April $225, May $225. U.S. No Two Red Winter Mar. $215, April $215, May $221. U.S. No Two Northern Spring 14 per cent Mar $238, April/May $221, May/June/July $219, Aug. $220, Sept. $221.

Maize—Spot $169, afl $162.50, Feb. $161.50, Mar $165, April $173, May $175, June $178, July/Sept. $179.25, Oct./Dec. $178.25, Jan./Mar. $190.

Soyabeans—U.S. Two Yellow Gulfports afl $298, Feb. $298.50, Mar. $304, April $312.75, May $317.25, June $322.75, July $326, Aug. $328.75, Sept. $330, Oct./Nov. $331.50, Dec. $337.50. Argentine June/July $318.50.

Soyameal—44 per cent protein U.S. Feb. $264, Mar. $270, April $276, May $280, April/Sept. $288, Nov./Mar. $303. Brazil Pellets afl $285, Feb. $284.50, Mar. $385, April $289, April-Sept. $297.50.

PARIS, February 16

Cocoa (FFr per 100 kilos)—Mar 955 969, May 995/1005, July 1010 1020, Sept. 1060/1074, Dec. 1085, Mar. 1113, 1135, May 1140 1160. Sales at call 0.

Sugar (FFr per tonne)—May 3235 3240, July 3240, Aug. 3190/3200, Oct 3090/3095, Nov. 2980, Dec. 2900, 2930, Mar. 2880/2930, May 2830/2900. Sales at call 3.

INDICES

FINANCIAL TIMES

Feb. 16	Feb. 13	Month ago	Year ago
253.64	253.23	256.86	309.26

(Base: July 1, 1952=100).

MOODY'S

Feb. 13	Feb. 12	Month ago	Year ago
1153.7	1149.2	1202.5	1447.5

(December 31, 1931=100)

DOW JONES

Dow Jones	Feb. 13	Feb. 12	Month ago	Year ago
Spot	422.65	420.82	432.74	459.71
Fut'rs	437.48	437.95	461.64	488.04

(Average 1924-25-26=100)

REUTERS

Feb. 16	Feb. 13	M'nth ago	Year ago
1695.5	1695.0	1695.2	1821.2

(Base: September 18, 1931=100)

MEAT/VEGETABLES

SMITHFIELD—Pence per pound. Beef: Scotch killed sides 69.2 to 71.2; Ulster hindquarters 81.0 to 86.0, forequarters 55.0 to 59.0; Eire hindquarters 80.0 to 83.0, forequarters 56.0 to 57.0. Veal: Dutch hinds and ends 107.0 to 110.0. Lamb: English small 67.5 to 74.5, medium 70.0 to 74.0, heavy 60.0 to 71.0. Imported frozen: NZ pl 59.0 to 60.0. Pork: English, under 100 lbs 42.0 to 49.0, 100-120 lbs 40.0 to 48.0, 120-160 lbs 37.5 to 44.5.

MEAT COMMISSION—Average fatstock prices at representative markets on February 16. GB—Cattle 85.30p per kg lw (+1.31). UK—Sheep 162.25p per kg est dcw (+0.84). GB—Pigs 67.81p per kg lw (+0.23).

COVENT GARDEN—Prices for the bulk of produce, in sterling per package except where otherwise stated: Imported Produce: Oranges—Jaffa: Shamoutis 50/189 4.30-5.05; Spania: Navels 48/54/60 4.40, 70 4.00, 8/90/100/112/135/150 3.60; Moroccan: Navels 56/125 3.40-3.80; Cyprus: Shamoutis 15-kg 42/112 3.00; Egyptian: 72/125 2.50. Sours—Seville: 56-lb 5.60. Lemons—Spania: Trays 25/54 2.20-2.40; *Cyprus: 10-kg 4.00-4.50; Italian: 100/*120 3.75-4.00; S. African: 80/100 6.50-7.00. Grapefruit—Cyprus: 20-kg 40/64 3.00-3.80; Jaffa: 20-kg 36 4.45, 40 4.50, 48 4.65, 56 4.40, 64 4.05, 75 3.85; Egyptian: 30/100 1.50. Satsumas—Spania: 90/105/126 3.20, 144/154 3.00, 168 2.80. Clementines—Spania: 3.80-5.00. Wilkings—Jaffa: 22-lb 80/90 4.20. Temples—Jaffa: 24-lb 60/82 4.70-5.20. Apples—French: Starkcrimson 40-lb 3.80-5.20. Golden Delicious 40-lb 125/175 *3.80-5.20. Granny Smith 40-lb* 5.00-6.00, 20-lb 72 3.00, 84 2.60; Italian: 40-lb Romes 60/70 4.20, Granny Smith 19/20-lb 60/70 2.50; Hungarian: Starking 44-lb 6.00; Canadian: Red Delicious 135/150 9.00-10.00; U.S.: Red Delicious 9.00-9.50; Belgian: 28-lb, per pound Cox's 0.10-0.14; Dutch: 28-lb, per pound 0.10-0.14. Pears—Dutch: Conference per pound 0.14; Italian: Passacrassana 0.10-0.12; S. African: Williams Bon Chretien 35-lb 7.00-7.50. Plums—S. African: Kelseys 11-lb 4.40-5.50, *Songold* 4.95-5.55. Apricots—S. African: 5.50-6.00. Grapes—U.S.: Red Emperor 20-lb wrapped 11.00; S. African: Queen of the Vineyard 9-lb 6.60-7.00. Dan Ben Hannah 9.00. Alphonse 10.00; Brazilian, Italia 11-lb 10.00; Chilean: Thompson 11-lb 10.00. Peaches—S. African: 20/28 3.20-3.40. Nectarines—Chilean: 30/33 6.50. Strawberries—Israeli: 8oz per punnet 0.60; Mexican 12 oz 0.93; U.S.: 12 oz 1.00. Pineapples—Ivory Coast: Each 0.50-1.00. Bananas—Colombian: Per pound 0.17-0.18. Melons—Spanish: Green 7.11 *4.50-5.00; Ecuador: White 14-16 7.00*. S. African: White 9/12 5.00; Chilean: Green 8/18 7.00. Avocados—Cyprus: 5.00; Florida: 14/24 6.00; Israeli: 6.00. Tomatoes—Spanish: 3.00; Canary: 4.50-5.00; Moroccan: 4.00. Onions—Spanish 5.40; Dutch: 2.80-3.20. Potatoes—Italian: New crop 2.60; Egyptian: 44-lb 3.80. Cauliflowers—French: 24 5.40; Jersey: 5.40. Cucumbers—Canary 10/16 4.20-4.50. Capsicums—Canary: 4.00-4.50. Red Capsicums—Canary: 6.00. Chicory—Belgian: Per box 2.20. Celery—Spanish: 18/36 3.50. Carmel 20/24 4.00. Fennel—Italian: 20-lb 5.50. Aubergines—Canary: 13-lb 6.00.

English Produce: Potatoes—Per bag 1.60-2.20. Mushrooms—Per pound 0.50-0.60. Apples—Per pound Bramleys 0.08-0.14, Spartans 0.14-0.18, Cox's Orange Pippins 0.10-0.34, Russets 0.12-0.15, Laxtons 0.06-0.10. Pears—Per pound Conference 0.08-0.15, Comice 0.14-0.18. Cababges—Per bag 1.40. White cabbages 3.00. Cauliflowers—Per 12 2.60-3.00. Beetroots—Per bag 1.40-1.80. Lettuce—Per 12, round 1.80-2.00. Sprouts—Per pound 0.07-0.08. Leeks—Per 10-lb 1.50. Rhubarb—Per pound forced 0.18-0.20. Carrots—Per 28-lb 1.20-1.50. Onions—Per bag 2.70-3.20. Celery—Per pack naked 16/18 1.50-1.80. Swedes—Per 28-lb Devon 0.70-1.00. Parsnips—Per 28-lb 1.60-1.80. Turnips—Per 28-lb 1.00-1.20.

★

GRIMSBY FISH—Supply good, demand good. Prices at ship's side (unprocessed) per stone: Shelf cod £3.00-£4.00, codlings £2.20-£2.90. Small haddock £4.40-£4.80. Large plaice £3.60, medium £3.30-£3.50, best small £3.00-£3.20. Lemon soles (large) £13.00, (medium) £11.00.

Pesticide expert to get award

PROFESSOR Kenneth Mellanby is to receive the first Institute of Biology award for services to the biological community. The award—a piece of sculpture called Life Form by John Farnham—will be presented at the institute's Annual General Meeting in Nottingham on March 27.

LONDON STOCK EXCHANGE

Threat of national coal strike undermines sentiment
Equity index down 8.7 but Gilts resist the dullness

Account Dealing Dates

Option *First Dealings	Declarations	Last Dealings	Account Day
Jan. 26	Feb. 5	Feb. 6	Feb. 16
Feb. 9	Feb. 26	Feb. 27	Mar. 9
Mar. 2	Mar. 12	Mar. 13	Mar. 23

* "New time" dealings may take place from 9 am two business days earlier.

Growing concern about the labour situation in the mining industry following the National Coal Board's decision to accelerate its pit closure plans reversed the recent good advance in London equity markets yesterday.

Against this backdrop, and rather gloomy economic reviews from both the CBI and Charterhouse Group, leading equities got off to a poor start. The tone further deteriorated on news that the South Wales miners' leaders had called for an all-out strike from today.

As a result, recent buying enthusiasm was stifled and the market became increasingly vulnerable to relatively light offerings. The 3.30 pm announcement of January's record trade surplus had little immediate impact on equities and the FT 30-Share index closed at the day's lowest showing a fall of 8.7 at 484.5.

Of the sectors, Banks were quick to reflect profit-taking after their recent better performance, as were Properties, but Insurance Brokers continued to benefit from sterling's continuing fall against the U.S. dollar. *Despite* the overall dullness, speculative interest was still evident in certain stocks and weekend Press mention also prompted sporadic bright features.

Gilt-edged securities resisted the adverse influences of the miners' situation and yesterday's fall in the sterling exchange rate. Early quotations were easier, sometimes to the extent of ½ among longer maturities, but renewed investment demand for the shorts soon steadied the market. A tendency to switch shorter was noted and, following the announcement of last month's big trade surplus, stocks in the vicinity of the short-medium tap, £20-paid Treasury 12 per cent 1986, closed at the day's best with net gains ranging to ⅛. Selected low-coupon shorts were also up that much, but most longs were finally ¼ better on balance.

Demand for Traded options remained disappointingly low and only 708 contracts were completed compared with last week's daily average of 806. More than half of yesterday's business was transacted in Marks and Spencer positions. These attracted 355 deals with particular attention being paid to the April 120's, which recorded 260.

Crest International staged a successful debut in the Unlisted Securities Market; from an opening level of 14½p, the shares attracted a fair two-way business and closed at 14p, which compares with the placing price of 10p.

Banks dull

Favoured last week through brokers' favourable circulars, the major clearing banks reacted sharply on profit-taking. Lloyds, which is due to start the dividend season on Friday, retreated 11 to 325p, while Midland lost 13 to 325p as did Barclays to 395p and NatWest to 325p. Among irregular Merchant banks, Leopold Joseph stood out with a jump of 23 to 260p following buying in a thin market, while Manson Finance Trust edged forward a penny to 75p awaiting today's interim results. Charterhouse shed 4 to 82p on reports that a legal challenge could delay implementation of its £43m agreed bid for Keyser Ullmann.

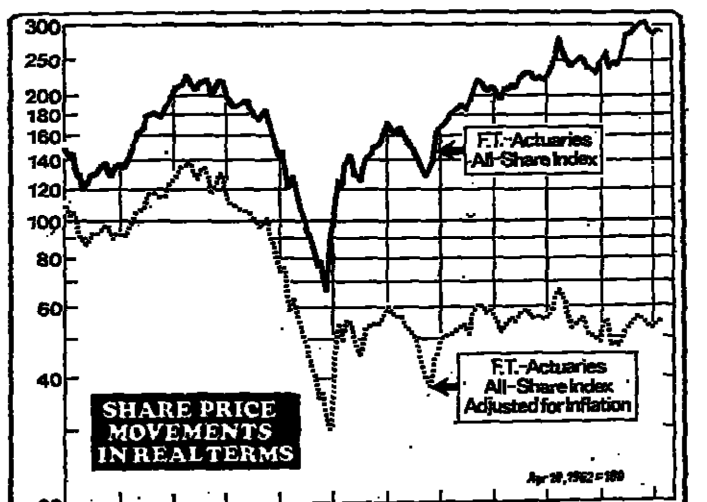
Against the general trend, Lloyds brokers moved higher reflecting the continuing strength of the dollar and recent Press comment. C. E. Heath featured with a rise of 13 to 206p, after 210p, while Sedgwick Forbes, 122p, and Willis Faber, 282p, gained 4 apiece. Stewart Wrightson improved 2 to 217p and Minet hardened a similar amount to 94p. Elsewhere, London United Investments, at 195p, achieved a Press-inspired gain of 8 but, among dull Life issues, Sun Life lost 8 to 262p.

Light selling in Buildings left Blue Circle 4 cheaper at 382p and BPB 3 off at 237p. Ready Mixed Concrete, a particularly firm market on Friday, softened a couple of pence to 181p. Contracting and Construction issues had a firm feature in J. Jarvis which, in a thin market, gained 8 to a 1980-81 peak of 166p. News of a contract worth £1.5m helped Fairclough add 2 to 84p, but Marchwiel, preliminary results on Thursday, shed 4 to 90p. In Timbers, Travis and Arnold were 5 down at 137p on profit-taking and Phoenix 5 cheaper at 102p.

ICI met with sporadic selling and fell progressively to close 12 down at 290p. Fisons, however, remained at 128p.

Peters react

Leading Stores drifted steadily easier throughout the session, the January retail sales figures having no impact on sentiment. A steadier tone was noted after the "House" close, however, and most issues ended a shade above the worst. UDS lost the turn to 77p, after 78p, while Marks and Spencer shed a couple of pence to 123p. Gussies "A" dipped 5 to 480p. House of Fraser, in receipt of the formal offer document from Lonrho, closed unchanged on balance at 144p, having been down to 142p; Lonrho held the pre-weekend level of 99p. Secondary issues were more subdued than of late, although recent speculative favourite Peters reacted on profit-taking to 114p, down 8. Polly Peck declined 4 to 164p for a similar reason. Among Shoes, Stylo gave up 9 at 133p.



With the exception of Philips' Lamps, 12 higher at 342p, the Electrical leaders sustained sizeable falls. GEC touched 627p before closing a net 15 down at 630p, while Plessey lost 5 at 298p; the latter's interim figures are due on February 26. Secondary issues were highlighted by Rediffusion which rose 6 to 123p, after 127p, on the announcement that the group is selling a large proportion of its ailing Hong Kong TV interests for approximately £9.7m cash. Sound Diffusion added 3 to 79p, after 81p, in response to Press comment, while United Scientific put on 5 more at 358p. First Castle Securities, on the other hand, fell 10 on profit-taking to 98p. Derritron came on offer at 13p, down 3.

Profit-taking and lack of any fresh support left John Brown 5½ lower at 70p and GKN a similar amount easier at 147p. Hawker dipped 8 to 284p and Vickers relinquished a couple of pence to 154p. Secondary Engineerings failed to match the previous week's buoyancy but were firmer in places. Acrow moved up 2 to 48p and the "A" a penny to 28p on Press comment, while Howard Machinery added a penny to 30p on hopes of a bid from Diamond Industries of the U.S. which recently acquired a near-15 per cent stake. Drake and Scull hardened a penny to 34p on the maintained dividend, while improvements of around 4 were seen in Chemring, 205p, Clayton Son, 46p, Jones and Shipman, 58p, and Turriff, 72p. Matthew Hall at 348p lost 5 of last Friday's gain of 19 which greeted news of a £50m Humberside Gas terminal contract. Davy Corporation lost 7 to 142p.

British Sugar rose to 268p after comment about merger prospects with S. and W. Berisford, before dipping to 258p on confirmation of the factory closures and closing only 2 firmer on balance at 265p. Competitors, Tate and Lyle, also finished 2 dearer at 164p, after 166p. Other Foods trended easier, Associated Dairies losing 4 to 176p ahead of being quoted ex-rights today. Associated Fisheries shed 3 to 52p in front of Thursday's preliminary results. Elsewhere, British Vending remained a firm market and added 1½ more at 23p, while Sidney C. Banks rose 4 more to a 1980-81 peak of 104p.

Reflecting late speculative demand on Friday, Queen's Moat Houses were raised 1½ to 40½p and the 10½ per cent Convertible 4 points to £118.

The unsettled labour background deterred investment interest in the miscellaneous industrial leaders and served only to encourage profit-taking after recent firmness. Glaxo closed 8 down at 264p, Beecham 7 easier at 178p and Boots 6 lower at 245p. Pilkington dipped 7 to 280p and BOC International, ahead of tomorrow's first-quarter figures, softened 2 to 118p. Reckitt and Colman, however, displayed resilience and finished 5 to the good at 187p, after 188p. Elsewhere, still reflecting the recent poor preliminary figures, Manchester Ship Canal fell 10 further to 150p. BTR lost 6 to 332p and De La Rue declined 7 to 588p. The absence of any bid developments clipped a few pence from Chubb, at 90p, but Crosby House continued firmly at 172p, up 4.

Oils weak

Newspapers traded quietly. News International, at 95p, recovered 3 of Friday's fall of 6 which stemmed from confirmation of the purchase of Times Newspapers. Elsewhere, Advertising Agents Geers Gross improved 5 to 65p in response to a favourable Press mention.

Properties, particularly firm of late on interest rate optimism, succumbed to a bout of profit-taking and Land Securities fell 11 to 395p. MEPC shed 8 at 234p. Among the more speculative counters, Marlborough eased 2 to 44p.

The Oil sector resumed its recent downward drift, British Petroleum and Shell losing 10 apiece to 398p and 410p respectively. Lasmo, one of the sector's better performers of late, shed 30 to 640p on profit-taking, while Ultramar gave up 12 to 473p and Burmah 7 to 178p. Among the more speculative exploration issues, Cluff firmed 5 afresh to 385p, while Pict, still responding to favourable Press comment, gained 15 more to 370p.

Quiet mines

Press mention prompted a gain of 25 in Harrisons and Crosfield, 787p, but Sime Darby, interim results due on Thursday, lost 3 to 84p.

Buoyant of late on hopes of further rationalisation within the sector, Shippings encountered profit-taking and closed with sizeable falls. Reardon Smith fell 11 to 173p and the A ended 7 lower at 148p. Common Bros, 303p, and Walter Runciman, 137p, gave up 9 and 6 respectively.

The closure of American markets and an uninspiring performance by the bullion price led to a quiet day in mining markets.

Golds were easier at the outset, in line with the bullion price, but subsequently rallied on bear closing and a minor rally in the metal price to close a shade harder on balance. The Gold Mines index put on 2.3 to 316.5 while the bullion price closed $3 easier at $490.50 an ounce.

South African Financials generally made modest progress with Anglo American Corporation 20 up at 610p and rises of around a half-point common to "Amgold," £38½, GFSA, £24½, and Transvaal Consolidated Land, £21½.

London Financials were featured by Rio Tinto-Zinc, which advanced 17 to 400p in active trading following favourable Press comment. Gold Fields and Tanks rose 4 apiece to 426p and 250p respectively while Charter added 3 to 225p, after 228p.

Turnover in Australians fell to minimal levels and prices consequently tended to drift throughout the day.

Renewed strength in Strata Oil encouraged light support for Hunu Gold, 2 firmer at 132p, while North West Mining held steady at 80p.

In the leading issues Western Mining edged up 3 to 235p and Bougainville a penny to 78p but losses of 5 were common to Pancontinental, 450p, and Peko-Wallsend, 410p. Greenbushes Tin dipped 50 to 600p and Otter Exploration gave up 4 to 53p.

Malaysian Tins were lower across the board reflecting the decline in Singapore markets. Gopeng fell 20 to 640p, Sungei Besi 10 to a 1980-81 low of 205p and Pahang 5 to 37p.

In the Cornish producers Geevor dipped 5 to 140p but vague bid rumours prompted a 2 gain in South Crofty, 33p.

FINANCIAL TIMES STOCK INDICES

	Feb. 16	Feb. 13	Feb. 12	Feb. 11	Feb. 10	Feb. 9	A year ago
Government Secs.	69.09	69.01	69.07	69.10	69.05	69.17	65.80
Fixed Interest	70.63	70.63	70.65	70.44	70.41	70.66	66.74
Industrial Ord.	484.5	493.2	490.0	486.3	486.6	480.9	463.0
Gold Mines	316.5	314.2	307.0	314.6	334.3	340.2	347.4
Ord. Div. Yield	7.41	7.27	7.32	7.39	7.39	7.44	7.17
Earnings, Yld. % (full)	16.49	16.19	16.36	16.49	16.52	16.63	17.65
P/E Ratio (net) (*)	7.42	7.56	7.47	7.41	7.40	7.36	6.95
Total Bargains	23,797	19,820	20,366	21,735	23,028	23,141	18,916
Equity turnover £m.	—	119.61	129.09	109.93	128.87	118.29	98.56
Equity bargains total	—	15,226	15,128	16,503	18,194	17,011	14,601

10 am 489.7. 11 am 488.2. Noon 488.4. 1 pm 487.2. 2 pm 486.5. 3 pm 485.4.
Latest Index 01-246 8026.
*Nil = 6.85.

Basis 100 Govt. Secs. 15/10/26. Fixed Int. 1928. Industrial Ord. 1/7/35. Gold Mines 12/9/55. SE Activity July-Dec. 1942.

HIGHS AND LOWS

	1980/81 High	1980/81 Low	Since Compilat'n High	Since Compilat'n Low
Govt. Secs.	72.64 (21/7/80)	63.85 (7/1/80)	127.4 (9/1/35)	49.18 (3/1/75)
Fixed Int.	74.08 (24/7/80)	64.70 (10/3/80)	150.4 (28/11/47)	50.53 (3/1/75)
Ind. Ord.	515.9 (21/11/80)	406.9 (3/1/80)	558.6 (4/5/79)	49.4 (26/6/40)
Gold Mines	558.9 (22/9/80)	265.5 (18/3/80)	558.9 (22/9/80)	43.5 (26/10/71)

S.E. ACTIVITY

	Feb. 16	Feb. 13
—Daily		
Gilt Edged	131.1	123.2
Industrials	109.2	99.5
Speculative	23.1	28.6
Totals	73.8	69.5
5-day Avrge.		
Gilt Edged	118.4	123.0
Industrials	103.3	107.3
Speculative	38.8	39.3
Totals	71.6	78.7

NEW HIGHS AND LOWS FOR 1980/81

The following shares quoted in the Share Information Service yesterday attained new Highs and Lows for 1980-81.

NEW HIGHS (63)

BRITISH FUNDS (10)
Exchqr. 3pc 1981, Exchqr. 3pc 1983, Treas. 3pc 1982, Funds. 5½pc '82-84, Treas. 8¼pc 1982, Exchqr. 3pc 1984, Exchqr 9¼pc 1982, Treas. 3pc 1985, Exchqr. 8¼pc 1983, Do. A

AMERICANS (5)
Abbott Labs., Cont. Illinois, Bendix Corp., Morgan (J. P.), Chesebrough-Pond's

BANKS (3)
Joseph (Leo.), Wells Fargo

BUILDINGS (3)
Aberdeen Constrctn., Jarvis (J.), Bryant Hldgs., Carr (John), Newarthill, Fairclough Constr., Tunnel B.

STORES (3)
Baker Stores, NSS Newsagents, Comet Radio Serv.

ELECTRICALS (3)
Security Centres, Utd. Scientific

ENGINEERING (2)
Chemring, Howard Machinery

FOODS (3)
Banks (Sidney C.), Hillards, British Vending

HOTELS (2)
Queens Moat Houses, Queens Moat Houses 10pc Cnv. '89-91

INDUSTRIALS (8)
Bestobell, Smith & Nephew, Kennedy Smale, Swedish Match, Macarthy's Pharm., Pritchard Services

LEISURE (2)
Lancaster (D. M.), Samuelson

MOTORS (2)
Volvo

PROPERTY (3)
Carlton Real, London Shop Prop., Control Secs., Lynton Hldgs., Kent (M. P.)

TEXTILES (2)
Dawson Int., Textured Jersey

TRUSTS (4)
City & For. Inv., Goodkind (W.), Fundinvest Inc., M. & G. Hldgs.

OIL & GAS (1)
Energy Capital

OVERSEAS TRADERS (1)
Nesco Invs.

NEW LOWS (12)

BUILDINGS (1)
Roberts Adlard

ELECTRICALS (1)
Derritron

ENGINEERING (2)
United Wire, Victor Products

INDUSTRIALS (4)
Dobson Park, March. Ship Canal, Scottish Heritable

MOTORS (1)
Lucas Inds.

NEWSPAPERS (1)
Home Counties

OIL & GAS (1)
Hanna Petroleum

MINES (1)
Sungei Besi

RISES AND FALLS YESTERDAY

	Up	Down	Same
British Funds	72	—	22
Corpns., Dom. and Foreign Bonds	3	2	60
Industrials	137	374	918
Financial and Prop.	88	156	274
Oils	12	28	10
Plantations	4	2	16
Mines	70	31	44
Others	79	22	80
Totals	506	524	1,424

ACTIVE STOCKS

Stock	Denomination	No. of marks	Closing price (p)	Change on day	1980-81 high	1980-81 low
GEC	25p	8	630	−15	653	326
ICI	£1	7	290	−12	402	282
Shell Transport	25p	7	410	−10	522	314
BP	25p	6	398	−10	502	320
Davis (Godfrey)	25p	6	170	+13	173	115
Fisons	£1	6	128	—	304	112
GKN	£1	6	147	−5	279	133
Land Securities	50p	6	395	−11	406	237
Plessey	50p	6	298	−5	305	108
Beecham	25p	5	178	−7	185	108
Cons. Gold Fields	25p	5	426	+4	678	373
Distillers	50p	5	190	−1	235	178
Geers Gross	10p	5	65	+5	67	39
Marks & Spencer	25p	5	123	−2	126	77
Metal Box	£1	5	190	−2	318	156

OPTIONS

First Dealings	Last Dealings	Last Declaration	For Settlement
Feb. 16	Feb. 27	May 28	June 8
Mar. 9	Mar. 20	June 11	June 22
Mar. 23	Apr. 3	June 25	July 6

For rate indications see end of Share Information Service

The Option market opened the week on a quiet note. Calls were done in FNFC, Courtaulds, ICL, Premier Oil, House of Fraser, Moss Engineering, Peachey Property, NCC Energy, Poseidon, RTZ, Newman Industries and Town and City Properties. Puts were traded in ICI, GKN, Tubes, Cope Allman, Carrington Viyella, Alpine Holdings and Trafalgar House, while FNFC, P & O, RTZ, BP, Lasmo and Lovex were dealt in for the double.

RECENT ISSUES

EQUITIES

Issue Price p:	Amount paid up	Latest Renunc. date	1980/81 High	1980/81 Low	Stock	Closing Price p	+ or −	Div.	Times covered	Gross yield	P/E ratio
610	F.P.	—	650	600	Grampian	650		16.5	2.1	3.6	18.8
10p	Nil	—	14½	13½	Or'st'nt nat'l Gas 10p	14					
5½	F.P.	—	6½	[illegible]	Durban Deep	[illegible]					
100	F.P.	13/5	102	95	New Darien Oil Trust	95					
42p	F.P.	13/5	45	41	Oil & Gas Production	42					
4.8p	F.P.	13/5	9	8¼	Do. (50.01 pd.)	9					
£5	F.P.	—	[illegible]	[illegible]	Parkfield Foundr's	[illegible]					
50	F.P.	21/1	55	47	Pennine	53					
81½	F.P.	16/2	106	96	Sound Sound Audio Vip	98		4.48	1.6	6.4	9.7
—	F.P.	9/2	84	78	Westpool Inv. Defd.	100					

FIXED INTEREST STOCKS

Issue price £	Amount paid up	Latest Renunc. date	1980/81 High	1980/81 Low	Stock	Closing price £	+ or −
100p	F.P.	14/1	111	106¼	Allied London 8¼% Cnv. Uns. Ln. 1986	106½	−¼
"	F.P.	28/1	106p	102p	Combern 11.375% Cum. Red. Pref.	102p	
"	F.P.	13/2	113	109	Crystalate 9¼% Cnv. Uns. Ln. '99-2000	111	
"	F.P.	25/2	45	41	Essex Waterworks 8¼% Red. Prf. 1985	45	
96	£25	27/3	21¼	20¼	Iceland 14½% 016	[illegible]	
£100	£50	30/4	46	41	Lon. Merchant Secs. 12½% Cv Uns. Ln. 2000-05	45¼	−¼
99	F.P.	23/1	101¼	101	Mid-Sussex W'w'ks 14% Red. Deb. 1984-86	101¼	
"	F.P.	20/1	113p	107p	Paterson (R.J.) 11% Cum. Cnv. Prf.	113p	
"	F.P.	11/1	119	116	Portals 9½% Cnv. 1994-2000	130	

"RIGHTS" OFFERS

Issue Price p:	Amount paid up	Latest Renunc. Date		1980/81 High	1980/81 Low	Stock	Closing price p	+ or −
65p	Nil	27/3		69pm	50pm	Argyll Foods	55pm	−3
30	F.P.	6/2	27/2	41	34½	Benlox	38	−3
115	F.P.	13/1	26/2	160	153	Brotherhood P.	156	
45	F.P.	16/1	13/2	65	63	Hampton Trust	65	
184	F.P.	29/1	13/3	209	188	Johnson, Matthey	207	
S$1.06	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	North Kalgurli Mines	[illegible]	
60	F.P.	16/2	27/3	73	71	Norcros	73	
380	F.P.	23/1	20/3	362	330	Royal Insurance	356	
145	F.P.	19/12	16/2	218	174	Warren Plants	216	

Renunciation date usually last day for dealing free of stamp duty. b Figures based on prospectus estimate. g Assumed dividend and yield. u Forecast dividend; cover based on previous year's earnings. F Dividend and yield based on prospectus or other official estimates for 1979. Q Gross. T Figures assumed. ‡ Cover allows for conversion of shares not now ranking for dividend or ranking only for restricted dividends. § Placing price to public. pt Pence unless otherwise indicated. ¶ Issued by tender. || Offered to holders of ordinary shares as a "rights." ** Issued by way of capitalisation. §§ Reintroduced. ¶¶ Issued in connection with reorganisation, merger or takeover. || Introduction. □ Issued to former preference holders. ■ Allotment letters (or fully-paid). ● Provisional or partly-paid allotment letters. ★ With warrants. †† Dealings under special Rule. ☆ Unlisted Securities Market. ‡‡ London Listing. ‡ Resulting from debt settlement scheme. ※ Units comprising 125 A Ord. & 6 12½% Cum. Prf.

FT-ACTUARIES SHARE INDICES

These Indices are the joint compilation of the Financial Times, the Institute of Actuaries and the Faculty of Actuaries

	EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Mon., Feb. 16, 1981 Index No.	Day's Change %	Est. Earnings Yield % (Max.)	Gross Div. Yield % (ACT at 30%)	Est. P/E Ratio (Net)	Fri. Feb. 13 Index No.	Thurs. Feb. 12 Index No.	Wed. Feb. 11 Index No.	Tues. Feb. 10 Index No.	Year ago (approx.) Index No.
1	CAPITAL GOODS (211)	301.21	−1.1	13.86	5.47	8.80	304.44	301.67	298.13	298.15	244.72
2	Building Materials (26)	272.19	−1.1	17.18	6.34	6.94	275.25	270.39	268.12	268.54	237.39
3	Contracting, Construction (26)	467.96	+0.1	19.50	5.43	6.17	467.40	460.43	457.98	457.25	371.40
4	Electricals (27)	990.14	−1.5	8.81	2.64	14.02	1004.90	998.99	985.56	985.40	632.70
5	Engineering Contractors (11)	400.13	−2.0	14.90	6.47	8.56	408.39	404.04	399.63	398.00	299.58
6	Mechanical Engineering (71)	176.01	−0.9	16.63	7.57	7.52	177.54	176.53	173.71	173.89	167.85
8	Metals and Metal Forming (13)	140.91	−1.3	18.72	11.85	6.77	142.83	140.75	139.12	139.12	165.67
9	Motors (21)	86.95	−0.3	22.08	9.53	5.22	87.18	87.26	87.19	87.00	111.23
10	Other Industrial Materials (16)	303.39	−0.4	15.11	7.08	7.87	304.53	301.07	297.69	296.92	0.00
21	CONSUMER GROUP (198)	246.76	−0.9	15.32	6.40	7.93	248.90	247.85	246.25	245.93	221.75
22	Brewers and Distillers (20)	266.95	−0.7	17.35	6.85	6.84	268.73	267.42	264.80	265.02	257.86
25	Food Manufacturing (23)	220.66	−0.3	17.82	7.18	6.66	221.38	221.52	220.28	220.28	203.49
26	Food Retailing (14)	470.59	−1.0	9.84	3.40	12.00	475.36	473.72	474.20	476.04	301.95
27	Health and Household Products (7)	265.64	−2.4	10.01	5.37	11.87	272.23	270.45	267.64	263.67	213.88
29	Leisure (22)	351.35	−0.4	15.91	6.51	7.75	352.76	350.91	348.02	347.45	304.67
32	Newspapers, Publishing (12)	442.14	−0.2	20.64	7.05	6.29	443.13	440.10	439.89	436.88	450.81
33	Packaging and Paper (15)	121.32	−0.7	26.32	10.01	4.40	122.18	121.50	120.22	120.12	131.52
34	Stores (44)	258.09	−1.0	11.53	4.88	11.36	260.79	259.33	258.63	258.21	216.17
35	Textiles (21)	132.14	−0.5	19.44	10.21	6.72	132.85	132.18	131.35	131.14	133.98
36	Tobaccos (3)	224.10	−0.5	24.18	10.39	4.75	225.29	224.78	221.42	222.39	208.16
39	Other Consumer (17)	241.22	+0.4	15.81	8.77	7.74	240.17	238.50	235.87	236.33	0.00
41	OTHER GROUPS (79)	217.01	−1.4	18.10	7.87	6.61	220.00	217.59	215.49	215.67	211.61
42	Chemicals (15)	279.37	−2.8	20.92	9.50	5.60	287.36	282.64	279.25	279.87	315.45
44	Office Equipment (6)	101.54	−0.7	18.33	8.18	6.47	102.29	102.12	100.21	100.68	118.38
45	Shipping and Transport (13)	569.07	−0.5	13.30	6.46	9.22	571.94	564.23	564.83	568.58	479.44
46	Miscellaneous (45)	268.08	−0.1	16.52	6.36	7.44	268.29	266.83	264.50	263.41	248.71
49	INDUSTRIAL GROUP (488)	261.79	−1.0	15.17	6.27	8.00	264.44	262.61	260.30	260.16	231.50
51	Oils (12)	849.03	−2.4	28.29	6.20	3.94	869.83	870.21	870.59	878.73	804.15
59	500 SHARE INDEX	308.34	−1.3	17.98	6.25	6.55	312.41	310.75	308.64	309.15	276.64
61	FINANCIAL GROUP (118)	241.76	−1.5	—	5.52	—	245.37	246.27	243.40	243.33	198.98
62	Banks (6)	233.12	−3.0	43.89	7.32	2.73	240.39	242.31	238.41	236.59	232.32
63	Discount Houses (10)	309.55	—	—	5.81	—	309.55	309.18	305.62	305.19	241.76
64	Hire Purchase (5)	227.98	−0.6	9.97	4.49	13.23	229.24	226.58	218.12	218.43	178.42
65	Insurance (Life) (10)	249.02	−2.2	—	5.30	—	254.66	260.24	258.13	258.77	172.05
66	Insurance (Composite) (9)	151.48	−0.7	—	7.72	—	152.52	154.69	154.22	153.87	130.29
67	Insurance Brokers (9)	335.22	+2.6	13.61	6.91	10.05	326.73	316.45	311.95	313.92	281.56
68	Merchant Banks (13)	148.42	−1.2	—	5.21	—	150.27	149.52	147.48	148.35	105.65
69	Property (45)	478.73	−1.5	3.10	2.59	44.80	485.88	483.50	476.52	478.66	361.56
70	Miscellaneous (11)	176.07	−0.3	15.58	5.26	8.16	176.61	176.86	175.05	174.33	134.31
71	Investment Trusts (109)	283.72	−0.3	—	5.37	—	284.71	284.88	281.00	280.18	231.91
81	Mining Finance (3)	209.70	+2.7	15.57	6.40	7.65	204.27	204.21	203.87	205.43	221.92
91	Overseas Traders (20)	438.62	+1.2	11.65	6.95	10.46	433.58	437.53	428.37	433.95	422.05
99	ALL-SHARE INDEX (750)	294.27	−1.1	—	6.08	—	297.62	296.72	294.30	294.72	260.02

FIXED INTEREST PRICE INDICES

	British Government	Mon. Feb. 16	Day's change %	Fri. Feb. 13	xd adj. today	xd adj. 1981 to date
1	Under 5 years	107.57	+0.16	107.39	—	1.96
2	5-15 years	109.79	+0.23	109.53	—	1.89
3	Over 15 years	113.84	+0.14	113.69	—	0.85
4	Irredeemables	128.02	—	128.02	—	0.00
5	All stocks	110.13	+0.17	109.94	—	1.50

FIXED INTEREST YIELDS British Govt. Av. Gross Red.

			Mon. Feb. 16	Fri. Feb. 13	Year ago (approx.)
1	Low Coupons	5 years	11.50	11.50	13.00
2		15 years	12.28	12.38	12.77
3		25 years	12.43	12.46	12.77
4	Medium Coupons	5 years	13.34	13.41	15.04
5		15 years	13.91	13.94	14.37
6		25 years	13.67	13.68	14.17
7	High Coupons	5 years	13.31	13.35	15.18
8		15 years	14.12	14.14	14.70
9		25 years	13.89	13.89	14.63
10	Irredeemables		11.61	11.60	11.52

		Mon., Feb. 16 Index No.	Mon., Feb. 16 Yield %	Friday Feb. 13	Thur. Feb. 12	Wed. Feb. 11	Tues. Feb. 10	Mon. Feb. 9	Friday Feb. 6	Thurs. Feb. 5	Year ago (approx)
15	20-yr. Red. Deb. & Loans (15)	52.29	14.16	52.27	52.23	52.09	52.07	52.07	52.15	52.15	51.06
16	Investment Trust Prefs. (15)	50.71	13.55	50.69	50.69	50.64	50.64	50.64	50.69	50.69	48.29
17	Coml. and Indl. Prefs. (20)	67.35	13.33	67.14	67.14	68.58	68.58	68.32	68.27	68.32	61.70

† Redemption yield. Highs and lows record base dates and values and constituent changes are published in Saturday issues. A new list of the constituents is available from the Publishers, the Financial Times, Bracken House, Cannon Street, London, EC4P 4BY, price 15p, by post 26½p.

UNIT TRUST SERVICE

OFFSHORE & OVERSEAS—contd.

Frankfurt Trust Investment-GmbH [illegible]

Free World Fund Ltd. [illegible]

G.T. Management Ltd. [illegible]

Gartmore Invest. Ltd. Ldn. Agts. [illegible]

Gartmore Fund Managers (Guernsey) Ltd. [illegible]

Granville Management Limited [illegible]

Guinness Mahon Fd. Mgrs. (Guernsey) [illegible]

Hambro Pacific Fund Mgmt. Ltd. [illegible]

Hambros (Guernsey) Ltd. [illegible]

Henderson Admin. (Guernsey) Ltd. [illegible]

Hill-Samuel & Co. (Guernsey) Ltd. [illegible]

Hill Samuel Invest. Mgmt. Intnl. [illegible]

N.V. Interbeheer [illegible]

International Pacific Inv. Mgmt. Ltd. [illegible]

Jardine Fleming & Co. Ltd. [illegible]

Kemp-Gee Management Jersey Ltd. [illegible]

Keyser Ullmann Ltd. [illegible]

King & Shaxson Mgrs. [illegible]

Kleinwort Benson Group [illegible]

Kredietbank N.V. (Belgium) [illegible]

Lazard Brothers & Co. (Jersey) Ltd. [illegible]

Lloyds Bk. (C.I.) U/T Mgrs. [illegible]

Lloyds Bank International, Geneva [illegible]

M & G Group [illegible]

Midland Bank Tst. Corp. (Jersey) Ltd. [illegible]

Samuel Montagu Ldn. Agents [illegible]

Murray, Johnstone (Inv. Adviser) [illegible]

Nat. Westminster Jersey Fd. Mgrs. Ltd. [illegible]

Negit S.A. [illegible]

Pacific Basin Fund [illegible]

Providence Capitol Life Ass. Co. Ltd. [illegible]

Quest Fund Managers (Jersey) Ltd. [illegible]

Quilter/Helmut Commodities [illegible]

RBC Investment Managers Limited [illegible]

Rothschild Asset Mgt. (C.I.) [illegible]

Royal Trust (C.I.) Fd. Mgt. Ltd. [illegible]

Save & Prosper International [illegible]

Schlesinger International Mngt. Ltd. [illegible]

Schroder Life Group [illegible]

Schroder Mgt. Services (Jersey) Ltd. [illegible]

J. Henry Schroder Wagg & Co. Ltd. [illegible]

Sentry Assurance International Ltd. [illegible]

Singer & Friedlander Ldn. Agents [illegible]

Stronghold Management Limited [illegible]

Surinvest (Jersey) Ltd. [illegible]

TSB Unit Trust Managers (C.I.) Ltd. [illegible]

Tokyo Pacific Holdings N.V. [illegible]

Tyndall Group [illegible]

Utd. Intl. Mngmnt. (C.I.) Ltd. [illegible]

S. G. Warburg & Co. Ltd. [illegible]

Warburg Invest. Mngt. Jrsy. Ltd. [illegible]

World Wide Growth Management [illegible]

Wren Commodity Management Ltd. [illegible]

NOTES [illegible]

FT UNIT TRUST INFORMATION SERVICE

AUTHORISED UNIT TRUSTS

Abbey Unit Tst. Mngrs. (a)
72-80, Gatehouse Rd., Aylesbury 0296 5941

Abbey Amer. Gth. Tst.	56.3	60.5	+1.3	2.40
Abbey Capital	44.9	48.5	-0.4	5.05
Abbey General	54.6	59.8	-0.6	5.40
Abbey Gilt & F.I. Tst.	105.8	111.4	+0.1	11.76
Abbey Income	34.2	37.0	.....	7.47
Abbey W'Wide Bd Ts.	92.7	98.1	+1.4	6.85
Abbey Inv. Tst. Fd.	49.8	52.8	.....	4.81
Equitas Prog. Tst.	79.8	85.4	-0.2	4.79

Allen Harvey & Ross Unit Tst. Mngrs.
45, Cornhill, London EC3V 3PB. 01-623 6314.

AHR Gilt Trust	85.7	90.2	+0.2	12.75

Allied Hambro Ltd. (a) (g)
Hambro Hse., Hutton, Brentwood, Essex.
01-588 2851 or Brentwood (0277) 211459

Balanced Funds				
Allied 1st	87.7	93.8	-0.5	6.15
Brit. Inds. Fund	76.0	81.3	-0.3	6.51
Growth & Income	49.5	53.0	-0.3	5.09
Elect. & Ind. Dev.	43.5	46.5	-0.3	5.38
Allied Capital	95.2	101.9	-0.5	4.51
Hambro Fund	129.9	139.0	-0.5	6.22
Hambro Acc. Fund	178.4	190.9	-0.9	4.77
Income Funds				
High Yield Fd.	61.8	66.1	+0.2	9.08
High Income	83.9	89.4	+0.2	7.07
Equity Income Fd.	44.1	47.2	-0.1	7.75
Govt. Secs.	25.1	25.8	.....	12.01
International Funds				
International	33.3	35.6	+0.3	2.25
Japan Fund	23.6	25.2	.....	0.26
Pacific Fund	64.0	68.5	+0.1	1.20
Secs. Of America	70.7	75.7	+1.5	2.11
Specialist Funds				
Smaller Co.'s Fd.	54.3	58.1	+0.1	4.48
2nd Smlr. Co's Fd.	65.7	70.3	+0.3	4.27
Recovery Sits.	135.0	144.5	-0.6	5.26
Met. Min. & C'dty.	65.4	70.0	+0.6	5.43
Overseas Earnings	66.9	71.6	-0.1	5.15

Craigmount Unit Tst. Mgrs. Ltd.
Bucklersbury, London EC4N 8BD. 01-248 4984

High Income	35	38.2	.....	11.93
North American	60.7	65.6	.....	2.64
Canadian Exempt*	65.2	68.9	.....	3.38
Canadian Trust	66.4	71.7	+1.1	2.49
Mid Mons High Inc.*	47.1	49.8	.....	9.69
Recovery	59.2	64.6	-0.1	6.66
Gilt Trust	42.2	44.2	.....	13.10

*Weekly dealing day Wednesday.

Crescent Unit Tst. Mngrs. Ltd. (a)(g)
4 Melville Cres., Edinburgh 3 031-226 4931

Cres. Amer. Fd.	39.7	42.8	+0.7	0.88
Cres. Internat'l.	75.7	81.7	+1.1	1.76
Cres. High. Dist.	41.7	45.0	.....	10.83
Cres. Reserves	48.8	52.7	-0.2	5.46
Cres. Tokyo	31.1	33.8	+0.3	0.93

Dartington Unit Trust Mngt. Ltd.
Bridge Chambers, Barnstaple, Devon 0271 76324

Total Perf. Unit Tst.	24.2	25.8	.....	10.27

Discretionary Unit Fund Managers
36/38 New Broad St, EC2M 1NU. 01-638 4485

Disc. Inc. Feb. 6	225.3	240.3	.....	5.49

E. F. Winchester Fund Mngt. Ltd.
44, Bloomsbury Square, WC1A 2RA 01-623 8893

Great Winchester	17.6	19.4	.....	7.29
Gt. Winchester O'seas	26.0	28.9	.....	3.68

Emson & Dudley Tst. Mngmnt. Ltd.
20a Albemarle St., W1. 01-493 3211

Emson Dudley Tst.	84.9	91.3	.....	6.00

Equity & Law Un. Tr. M.♥ (a)(b)(c)
Amersham Rd., High Wycombe. 0494 33377

Equity & Law	87.4	92.0	-0.5	4.74

Fidelity International Management Ltd.
62-63 Queen St, London EC4 1AD 01-248 4891

American (z)	33.0	35.5	+0.9	0.79
Ameri.Spec. Sits. (z)	24.6	26.5	+0.4	0.90
Gilt + Fixed Int.	24.8	26.2	.....	12.13
Growth + Income	30.5	32.9	.....	7.28
Maximum Inc. Eq. Tst.	25.9	27.9	+0.1	9.15
Special Sits.	38.5	41.5	+0.1	1.91

James Finlay Unit Trust Mngt. Ltd.
10-14, West Nile Street, Glasgow. 041-204 1321

J. Finlay Internat'l	36.5	39.2	.....	2.48
Accum. Units	45.3	48.7	.....	2.40
J. Finlay High Income	35.0	37.4	.....	10.05

M & G Group (y)(c)(z)
Three Quays, Tower Hill, EC3R 6BQ. 01-626 4588
See also Stock Exchange Dealings.

American; (Accum. Units); American Recovery; (Accum. Units); Australasian; (Accum. Units); Commodity; (Accum. Units); Compound Growth; Conversion Growth; Conversion Inc.; Dividend; (Accum. Units); European; (Accum. Units); Extra Yield; (Accum. Units); Far Eastern; (Accum. Units); Fund of Inv. Tsts.; (Accum. Units); General; (Accum. Units); Gilt; (Accum. Units); High Income; (Accum. Units); Japan; (Accum. Units); Magnum; (Accum. Units); Midland; (Accum. Units); Recovery; (Accum. Units); Second Gen.; (Accum. Units); Smaller Companies; (Accum. Units); Specialised Funds

INSURANCE PROPERTY BONDS

Tyndall Assurance/Pensions(a)(b)(c)
18, Canynge Road, Bristol 0272 32241

3-Way	157.5	157.9	.....	—
Do. Pens	198.3	198.3	.....	—
Equity		199.2	.....	—
Bond		188.6	.....	—
Property		157.6	.....	—
Overseas Inv.		105.5	.....	—
UK Inv		176.9	.....	—
Deposit		157.7	.....	—
Mn Pen. 3-W.	230.4	230.4	.....	—
Equity Pen.	348.6	348.6	.....	—
Bond Pen.	216.8	216.8	.....	—
Prop. Pen.	136.6	136.6	.....	—
Dep. Pen.	181.8	181.8	.....	—

Vanbrugh Life Assurance♥
41-43 Maddox St., Ldn. W1R 9LA 01-499 4923

Managed Fd	191.6	201.7	-0.9	—
Equity Fd.	321.5	338.5	-2.5	—
Intnl Fd	119.6	125.9	+0.5	—
Fixed Int. Fd.	187.4	197.3	.....	—
Prop. Fd.	205.6	216.5	.....	—
Cash Fd.	147.4	155.2	+0.2	—

Vanbrugh Pensions Limited
41-43, Maddox St., Ldn., W1R 9LA 01-499 4923

Managed	140.2	146.7	.....	—
Equity	160.5	169.0	.....	—
Fixed Interest	127.9	134.7	.....	—
Property	138.6	145.9	.....	—
Guaranteed		12.00	.....	—

Welfare Insurance Co. Ltd.♥
Winslade Park, Exeter. 0392-52155

Moneymaker Fd.		120.0	.....	—

For other funds, please refer to The London & Manchester Group.

Windsor Life Assur. Co. Ltd.
Royal Albert Hse., Sheet St., Windsor 68144

Investor Units	97.6	102.6	.....	—
Accum. Pen. Units	146.9	154.5	.....	—
Flex. Inv. Growth	123.6	130.1	.....	—
Future Assd Growth	25.0(a)	54.0(b)	.....	—
Ret. Ass'd Pen		130.94	.....	—

OFFSHORE & OVERSEAS FUNDS

Albany Fund Management Limited
P.O. Box 73, St. Helier, Jersey. 0534 73933

Albany $ Fd. (CI)	[illegible]	172.60	.....	1.72

Next dealing February 27.

Alexander Fund
37, rue Notre-Dame, Luxembourg.

Alexander Fund	US$14.17	.....	—

Net asset value Feb. 9.

Allen Harvey & Ross Inv. Mgt. (C.I.)
1 Charing Cross, St. Helier, Jsy., C.I. 0534-73741

AHR Dollar Inc. Fd.	[illegible]	10.26	+0.01	17.47
AHR Gilt Edg. Fd.	£11.26	11.29	-0.02	13.05

Alliance International Dollar Reserves
c/o Bank of Bermuda, Hamilton, Bermuda.
Adv.: ACMI, 319 High Holborn WC1 404 0377
Divdn. Feb. 12-16 0.002513 (20.1% p.a.)

Arbuthnot Securities (C.I.) Limited
P.O. Box 284, St. Helier, Jersey. 0534 76077

East Intl. & Energy	136.0	141.0	.....	2.66

Dealing day Thurs.

Gov't Secs. Tst. (CI)	77.0	80.2	-0.2	15.91

Continued on previous page

FT SHARE INFORMATION SERVICE

BRITISH FUNDS

"Shorts" (Lives up to Five Years)

Five to Fifteen Years

Over Fifteen Years

Undated

INTERNATIONAL BANK

CORPORATION LOANS

COMMONWEALTH AND AFRICAN LOANS

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
94¾	82¼	Aust. 5½pc '81-82	94¾	......	5.96	13.03
85⅝	72½	Do. 6pc 1981-83	85¼	......	7.14	12.94
67¼	58	N.Z. 7¼pc 1988-92	65¼	......	11.25	13.42
82¼	72	Do. 7½pc '83-86	78¼	—¼	9.67	13.59
98	88	Sth. Africa 9½pc '79-81	98	......	9.96	16.42
160	95	S. Rhod. 2½pc Non-Ass.	117	......	—	—
50	31	Do. 3½pc 80-85 Asstd.	48xd	......	7.29	22.10
32	20½	Do. 4½pc 87-92 Asstd.	28	......	16.12	22.48
381	270	Zimbabwe Ann (£100pa)	345	......	—	27.54

LOANS

Public Board and Ind.

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
64½	56½	Agric. Mt. 5pc '59-89	63	......	8.01	12.30
84	73½	Alcan 10½pc '89-94	78	+½	15.17	16.30
30	25	Met. Wtr. 3pc 'B'	28¼xd	......	10.56	12.77
104½	89	U.S.M.C. 9pc 1982	102	......	8.95	—
94½	85½	Do. without Warnts.	94½	......	9.73	14.80

Financial

1980-81 High	Low	Stock	Price £	+ or —	Yield Int.	Red.
101½	93½	FFI 14pc '83	100½	+¼	13.93	13.76
91½	79½	FFI(UK Fn)5½pcDb. '80-2	88¼xd	......	6.19	13.69
82½	71½	Do. 6¼pcDb. '81-84	81¼	+¼	.81	7.81
93	80½	Do. 10½pc Uns.Ln. '86	89½	......	11.86	13.70
92½	77	Do. 11pc Uns.Ln. '88	88½	......	12.57	13.40
96	82	Do. 11¾pc Uns.Ln. '90	89½	......	13.29	14.10
101	84½	Do. 12½pc Un. Ln. 1992	88½xd	......	14.12	14.60
67	56	Do. 7¼pcADeb. '89-92	62½	......	11.92	14.20
66½	51½	Do. 7½pcADeb. '91-94	59½xd	......	12.18	14.00
76½	64½	Do. 9pc 'A' '91-94	68xd	......	13.23	14.45
71½	61	Do. 8¾pcLn. '92-97	66xd	......	13.44	14.20

FOREIGN BONDS & RAILS

1980-81 High	Low	Stock	Price £	+ or —	Div. % Gross	Red. Yield
82	43	Antofagasta Rly.	62½	......	—	—
55	50	Do. 5pc Pref.	55	......	—	—
98	98	Chilean Mixed	98	......	3	13.10
58	18	Chinese 4½pc 1898	25	......	—	—
45	17	Do. 5pc 1912	22	......	—	—
24	11	Do. 5pc 1913	16	......	—	—
24	11	Do. 5pc '25 Boxer	13	......	—	—
97	88¾	Denmark 13pc 2005	90	—¼	13	14.77
36	28½	Greek 7pc Ass.	36	......	3½	†9.90
35	31	Do. 6pc 28 Stb. Ass.	34	......	3	†8.85
34	30	Do 4pc Mixed Ass.	32	......	2	†6.30
53	51	Hung. '24 Ass.	52	......	2¾	5.50
65	50	Iceland 6½pc '83-88	62	......	6½	15.60
89¾	79	Ireland 7½pc '81-83	87¼	......	7½	14.24
87¼	71¼	Do. 9¾pc '91-96	74½xd	......	9¾	13.66
235	185	Japan 4pc '10 Ass	185	......	—	—
79	56	Do. 6pc '83-88	79	......	6	9.86
165	155	Peru Ass. 2007	165	......	5.22	†3.20
$94½	$77	Turin 9pc 1991	$77	......	—	†11.68
DM92½	DM90	Turin 6½pc 1984	DM90	......	—	9.45
96	96	Uruguay 3½pc	96	......	3½	3.90

AMERICANS

1980-81 High	Low	Stock	Price £	+ or —	Div. Gross	C'vr	Y'ld Gr's
37¾	16⅝	ASA	22⅝xd	+½	$5.00	—	9.2
34	27½	AMF 5% Conv. '87	27⅝	......	5%	—	†11.8
25½	15⅛	Abbott Labs.	25½	+⅝	$1.20	—	2.0
25¾	16½	Amax $1	17⅜xd	+⅞	$2.40	—	5.6
21⅞	11½	Amer. Express $0.60	18¾	+¼	$2.00	—	4.4
18⅛	862p	Amer. Medical Intl. $1	16	......	64c	—	1.7
24⅞	13⅜	Asarco Inc.	16xd	—⅛	$1.55	—	4.0
22½	11⅞	Baker Intnl. Corp. $1	18½xd	+⅝	40c	—	0.9

CANADIANS

1980-81 High	Low	Stock	Price £	+ or —	Div. Gross	C'vr	Y'ld Gr's
10½	570p	Hawker Sid. Can.	870p	+15	96c	—	3.9
22⅞	12¼	Hollinger $5	17⅞	+¼	$2.20	—	4.4
11⅞	812p	Hudson's Bay	910pxd	+62	$1.20	—	4.6
14¼	765p	Hud.B.Oil G. $2½	930p	+15	57.5c	—	2.2
21⅞	11⅛	Imperial Oil	12⅛	......	$1.40	—	4.0
14	765p	Inco	845pxd	+15	$US72c	—	3.5
565p	425p	Int. Nat. Gas $1	515p	+15	$1.00	—	6.8
495p	135p	Massey Ferg.	185p	......	—	—	—
200p	97p	Place Gas $1	105p	......	—	—	—
14⅞	10½	Rio Algom	11⅛	+⅛	$1.50	—	4.5
22	14⅞	Royal Bk.Can. $2	22xd	......	$2.88	—	4.6
27½	15⅞	Seagram Co. C$1	25	+1⅛	US$1.40	—	2.3
13⅞	890p	Tor. Dom. Bk. $1	12½xd	—⅛	$1.52	—	4.3
10½	750p	Trans Can. Pipe	915p	+20	$1.16	—	4.4

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INSURANCE

[illegible]

INSURANCE—Continued

[illegible]

LEISURE

[illegible]

MOTORS, AIRCRAFT TRADES

Motors and Cycles

[illegible]

Commercial Vehicles

[illegible]

Components

[illegible]

Garages and Distributors

[illegible]

NEWSPAPERS, PUBLISHERS

[illegible]

PAPER, PRINTING ADVERTISING

[illegible]

PROPERTY

[illegible]

PROPERTY—Continued

[illegible]

SHIPPING

[illegible]

SHOES AND LEATHER

[illegible]

SOUTH AFRICANS

[illegible]

TEXTILES

[illegible]

TOBACCOS

[illegible]

TRUSTS, FINANCE, LAND

Investment Trusts

[illegible]

INVESTMENT TRUSTS—Cont.

[illegible]

Finance, Land, etc.

[illegible]

FINANCE, LAND—Continued

[illegible]

OIL AND GAS

[illegible]

OVERSEAS TRADERS

[illegible]

RUBBERS AND SISALS

[illegible]

TEAS

India and Bangladesh

[illegible]

Sri Lanka

[illegible]

Africa

[illegible]

MINES

Central Rand

[illegible]

Eastern Rand

[illegible]

Far West Rand

[illegible]

O.F.S.

[illegible]

Finance

[illegible]

Diamond and Platinum

[illegible]

Central African

[illegible]

MINES—Continued

Australian

[illegible]

Tins

[illegible]

Copper

[illegible]

Miscellaneous

[illegible]

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[illegible]

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[illegible]

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3-month Call Rates

[illegible]

A selection of Options traded is given on the London Stock Exchange Report page

"Recent Issues" and "Rights" Page 30

This service is available to every Company dealt in on Stock Exchanges throughout the United Kingdom for a fee of £500 per annum for each security

FINANCIAL TIMES

Tuesday February 17 1981

Aurora Holdings to get £1.3m aid

By James McDonald

AURORA HOLDINGS, the engineering and steels group, is to receive grants and loans totalling nearly £1.3m from the Department of Industry and the European Coal and Steel Community. This is to complete the rationalisation and modernisation programme of its special steel interests.

The rationalisation programme, which follows the acquisitions in 1978 and 1979 of Osborn Steels and Edgar Allen Balfour Steels, has already reduced the number of steel works in the group from six to three, at Openshaw, Manchester, at Ecclesfield, Sheffield, and at Bradford. Now Bradford will also close.

The Government aid to Aurora Holdings to complete its steel rationalisation programme comes while the British Steel Corporation and GKN, the largest independent producer, are still trying to finalise a joint venture under Operation Phoenix—an attempt by the public and private sectors of the British steel industry to rationalise their operations through joint companies.

The Department of Industry said last night that talks between BSC and GKN were "well advanced" but some of the finer points of agreement had still to be settled. Phoenix I, as the project is named, would rationalise production and resources of steel billets, reinforcing bars and wire rods.

Explaining the government aid for Aurora Holdings' own rationalisation programme, Aurora Steels—a subsidiary—said the group was not involved in any of the Phoenix discussions. They produce very special high alloy steels.

The aid package involves a grant of up to £450,000 from the Department of Industry and an £836,000 loan (or its equivalent in other currencies) from the European Coal and Steel Community "at favourable rates of interest."

The money will be used to invest in plant, to close the group's Bradford works, and concentrate most of the group's steel production on its two major steel sites at Openshaw and Ecclesfield.

Mr. Robson Davies, chairman of Aurora Steels, said last night that the Bradford plant had already been run down from 172 employees to 25.

He said the rationalisation would cost about £1.7m, with Aurora Holdings having to find about £400,000 from its own resources. He expected the programme to be complete by the end of this year and hoped that no further job losses would be necessary.

Continued from Page 1

Dollar

at least a technical correction.

Speculation continues on the currency markets about whether the Bundesbank council will take further steps to prop up the D-Mark at its meeting on Thursday. The Bundesbank has made clear that the danger of higher inflation, touched off by the currency's weakness, has been one of the reasons behind its recent moves to tighten credit.

Francis Ghiles writes: Prices declined in all major sectors of the Eurobond markets yesterday. The pronounced weakness of the West German and Swiss currencies against the dollar, together with the continuing upward movement in short term interest rates, severely depressed D-Mark and Swiss franc foreign bond prices.

In the dollar sector, the surge in interest rates and fears that the U.S. currency may be overvalued depressed prices of fixed interest bonds which shed an average of nearly one point.

The first D-mark foreign bond issue for more than two months is being launched this morning for the European Coal and Steel Community. The coupon offered to investors on this 10-year DM 120m issue is 10 per cent, the highest paid in seven years by a prime borrower.

British Sugar to shut plants

BY JOHN EDWARDS, COMMODITIES EDITOR

THE British Sugar Corporation is to close four of its 17 sugar-beet processing factories with the loss of 750 jobs out of the permanent labour force of 5,000.

A further 500 temporary jobs will go out of the 2,500 extra workers employed each year for the four-month processing season.

The closures will reduce British Sugar's production capacity from more than 1.25m tonnes a year to its existing output level of 1.15m tonnes.

The plants to be closed are at Felsted, Essex, Ely, Cambs., Selby, Yorks., and Nottingham. Together they produce 125,000 tonnes of sugar each year. The 47,000 tonnes produced at Ely is in the form of beet raws that have to be refined elsewhere into "white" sugar.

In the past five years British Sugar spent about £150m on an expansion programme to raise production capacity and modernise factories.

But according to Mr. John Beckett, chief executive of British Sugar, the Government is prepared to accept the cut in UK beet production to 1.15m tonnes as part of the overall plan to reduce the European Community sugar surplus.

Mr. Beckett said British beet-growers had not increased plantings sufficiently to provide the raw material to meet the capacity of 1.25m tonnes.

In addition, the decline in UK consumption of sugar in the past five years, from 2.7m to 2.3m tonnes annually, mainly because of inroads made by glucose, had persuaded British Sugar to cut its production capacity.

Mr. Beckett said Tate and Lyle could re-emerge as a formidable competitor if it went ahead with plans to close its cane refinery. British Sugar had to compete with Tate and Lyle and EEC beet-producers. The only barrier to EEC imports was cost-competitiveness.

Total cost to the company will be about £22m, of which about £8.5m is defined as closure costs while the rest is principally a reduction in the company's assets.

It is estimated the closures will add between £3m to £4m a year to British Sugar's profits, making the corporation more expensive to take over should the bid by S. and W. Berisford be sanctioned in a Monopolies and Mergers Commission report expected shortly.

British Sugar has pledged to pay to growers next season any extra costs which result from the factory closures. The National Farmers' Union, representing Britain's 14,000 beet-producers, welcomed this.

Mr. Bobby Smith, the General and Municipal Workers Union's national food industry officer, said the unions had asked the corporation to delay redundancy notices to allow further discussions with them.

EEC key to British Sugar closures, Page 8

Retail spending rose in January

BY DAVID CHURCHILL AND DAVID MARSH

EXTENDED winter sales and mild New Year weather boosted the volume of spending in the shops last month.

The retail trade launched unusually extensive price cutting campaigns in January to clear stocks after a generally depressed Christmas period. Many retailers achieved turnover increases, but only at the expense of further cuts in profit margins.

Retailers are generally pessimistic about the outlook for trade over the next few months, in spite of a brighter start to February trading than had been expected.

The Department of Trade yesterday reported that the volume of sales last month rose 2.9 per cent compared with December, seasonally adjusted, to a provisional figure of 111.5 (1976=100). This was just over 1 per cent higher than the sales volume in January last year. Last December, sales volume fell 0.7 per cent, seasonally adjusted, from November.

The increase between December and January was spread throughout all the main areas of retailing. However, the increase may have been overstated because of an apparent change in spending habits in recent years, in which shoppers have appeared to hold back in December to await bargains in the New Year sales. This may have led to an understatement of seasonally adjusted figures for December and a corresponding overstatement for January.

Department and discount stores appear to have done well in the January sales boom. Selfridges, for example, had sales up by 18 per cent in value in the first week of its sale compared with the same 1980 period and finished some 16.4 per cent up overall against 1980 on the four-week period.

The John Lewis Partnership department store group had a sales increase of 25 per cent by value in the first week of its sale against 1980 while Harrods reported sales consistently higher than last year on every day of its three-week sale.

Later in January, most retailers reported a decline in trade. But the mild weather in recent weeks and the continuing level of redundancy payments has helped give a boost to trade.

Elsewhere, however, many retailers are finding trade difficult and small retailers—who account for the bulk of retail sales—are especially under pressure because they lack the financial muscle of the large store groups.

Evidence of a squeeze on retailers' profit margins comes from the Department's figures showing that the value of sales in January rose only 9 per cent compared with January 1980. With retail price inflation last month running at 13 per cent, shopkeepers' takings over the last year have thus fallen in real terms.

RETAIL SALES

		Volume seasonally adjusted (1976=100)	Value: % increase on year earlier unadjusted
1979	Q3	106.6	15
	Q4	109.1	18
1980	Q1	110.2	21
	Q2	109.2	12
	Q3	108.9	14
	Q4	109.0	10
Nov.		109.2	11
Dec.		108.4	9
1981 Jan.		111.5*	9*

* Provisional. Source: Department of Trade

Action threatens water supplies

BY PHILIP BASSETT, LABOUR STAFF

UNOFFICIAL industrial action in the water supply industry broke out yesterday in the North-East over the national 10 per cent pay offer. Local union officials fear the spread of the action, the first since this year's pay negotiations ran into difficulty.

Only about 100 to 200 workers were involved in yesterday's action, but it could quickly threaten local supplies. The maintenance workers are refusing to work overtime, and refusing to deal with emergencies other than at hospitals or old people's homes.

Supply workers in the Wear and Northumberland and Tyne divisions of the Northumbrian Water Authority began action yesterday, and there were fears that it could spread today to north-west Durham, Consett and South Shields.

The outbreak of unofficial action by members of the General and Municipal Workers' Union, the largest union in the industry, followed a regional delegate conference at the weekend which voted strongly in favour of taking official action if necessary at the end of the month.

Local officials had to prevent shop stewards authorising unofficial action all over the region, but the action began yesterday despite their repeated efforts.

Bursts or other problems in the supply system not dealt with during overtime hours could quickly build up into a backlog of work. Mr. Peter Gannon, GMWU regional organiser, who urged the men not to take unofficial action, said they felt "very frustrated and very bitter" at the offer.

Officials of the National Union of Public Employees in Wales reported that they had difficulty restraining their members from following suit yesterday when the unofficial action in the north-east became known.

Welsh NUPE water workers have tabled a motion of no confidence in their national union negotiators for failing to take official action. The motion will be heard on Friday.

Welsh GMWU water workers voted by about 7-1 at a delegate conference yesterday to reject the offer. Proposals for selective strikes were also rejected, and instead delegates voted again by about 7-1 to take official action if called on to do so by the full trade union side after its meeting on February 25.

GMWU water and sewerage workers in London will vote on the offer today, followed by southern workers tomorrow, those in Birmingham and Liverpool on Thursday, and those in Yorkshire, Lancashire and the East Midlands on Friday.

S. Africa relaxes controls

BY QUENTIN PEEL IN JOHANNESBURG

MR. OWEN HORWOOD, the South African Minister of Finance, yesterday announced a relaxation of foreign exchange controls, including a major concession for foreign-owned companies, as part of a package aimed at tightening control of money supply and curbing inflation.

Foreign companies will be allowed to borrow double their present limit on the domestic capital markets. This could result in repayment of a substantial amount of foreign debt.

It is also likely to increase the pressure for higher interest rates in South Africa, which Mr. Horwood is clearly keen to encourage to curb the rapid increase in money supply.

He announced the package in a pre-election mini Budget in which he granted substantial increases in pensions and public sector salaries—but warned that government spending would remain under strict control.

Mr. Horwood forecast a continuing healthy growth rate of the South African economy of between 5 and 6 per cent this year, compared with 8 per cent last year, in spite of any likely anti-inflationary measures.

The foreign exchange relaxation includes more generous travel allowances, and allowances for emigrants, as well as higher limits on non-resident directors' fees, and more generous allowances for inheritances by non-residents.

The relaxation for foreign subsidiaries in South Africa will increase the ceiling on their local borrowing from 25 per cent of the non-resident shareholding to 50 per cent, with proportionately larger increases for companies with larger South African shareholding. Bankers estimate that the move could result in the repayment of some R300m (£170m) in foreign debt by such companies.

While the package is in line with the long term strategy of Dr. Gerhard de Kock, new governor of the Reserve Bank, to phase out exchange controls, it is also clearly related to Mr. Horwood's intention to control the increase in money supply.

He warned that inflation, running at an annual rate of more than 22 per cent in the last quarter of last year, was the major economic problem facing the country.

He said money supply (M2) had increased at a rate of 27 per cent last year, heightening the danger of general demand inflation.

Rediffusion to sell Hong Kong TV station

BY ADRIAN BOVEN IN HONGKONG AND CHRISTINE MOIR IN LONDON

REDIFFUSION, the BET subsidiary which operates in the UK as a television rental and service group, has succumbed to the pressures of continuing losses in its pioneer Hong Kong television station and is to sell control to an Australian consortium.

The consortium, which includes CRA, the Rio Tinto-Zinc subsidiary, and two publishing and media specialist companies, is to pay HK$120m (£9.7m) for a 61.2 per cent stake in Rediffusion Television of Hong Kong (RTV). Rediffusion will keep a 19.9 per cent stake and local Hong Kong shareholders will retain their original 18.9 per cent holdings.

The purchase price will repay local bank borrowings and provide a small surplus for Rediffusion's reserve. The market reaction was to add 6p to the shares which closed at 123p.

RTV was the first television broadcasting company in Hong Kong, operating through a cable network on two channels, one English and one Cantonese.

Until 1968 it had a monopoly, but the Government then allocated a new franchise to Television Broadcasts (TVB), which began to operate two similar channels using the more flexible wireless broadcasting method.

Early in the 1970s RTV switched fro mcable to "over aair" transmission but never managed to catch up its rival.

The two Cantonese channels have over 90 per cent of viewers in Hong Kong and an unknown number across the border in China. TVB's Jade channel is the clear money-maker of the two, watched by perhaps three times as many viewers as its Rediffusion rival.

Rediffusion's accounts have consistently shown Hong Kong losses. In the year to March 31 losses had dropped from £2.12m to £1.2m but, despite hopeful comments from Mr. Hugh Dundas, chairman, there is little chance of losses being further reduced without Government intervention in the industry, according to the company.

British aerospace offer a sell-out

By Ian Rodger

THE GOVERNMENT'S offer for sale of 100m shares in British Aerospace at 150p a share was heavily over-subscribed, attracting more than 155,000 applications for a total of 350m shares.

The allotment of shares announced yesterday favours small investors. Applicants for up to 700 shares will receive all the shares they subscribed for. Those who sought up to 1,000 shares will receive 750.

Allotted

Orders for between 1,500 and 7,000 shares will be allotted only 37½ per cent of the application with a minimum of 800 shares and orders for 7,500 shares and above will receive only 18¾ per cent, with a minimum of 2,750 shares.

The feeling in the market yesterday was that if dealings had begun immediately, the shares might have opened at 166p, a 16p premium.

Dealings

If the market as a whole does not continue to lose ground this week, brokers expect the shares to open near 165p when dealings begin on Friday.

Given the large number of applicants, it is expected that many speculators will sell shares immediately but selective buying from some institutional investors who did not receive as large an allotment as they sought, could support the price.

Companies, Page 18

Weather

UK TODAY

Cold, hazy sunshine, freezing fog, max. temp. 8C (46F).

E., S. and N. England, Midlands, Channel Isles, Wales
Light south-easterly winds, sunny periods.

N.W. England, I. of Man, S., Central and N.E. Scotland
Sunny periods, light southerly winds.

N. Scotland, Orkney, Shetland, N. Ireland
Above normal temp., cloudy.

Outlook: Dry, cold, scattered showers.

WORLDWIDE

		Y'day midday °C	°F			Y'day midday °C	°F
Ajaccio	S	11	52	London	S	6	43
Algiers	C	18	64	L. Ang.†	F	13	55
Amsdm.	C	2	36	Luxor	S	20	68
Athens	S	8	46	Madrid	S	6	43
Bahrain	S	21	70	Majorca	C	11	52
Barclna.	F	13	55	Malaga	C	14	57
Beirut	C	13	55	Malta	F	12	54
Belfast	S	6	43	M'chstr	S	7	47
Belgrd.	S	1	34	Melbne.	S	25	77
Berlin	C	3	37	Miami†	F	22	72
Biarritz	F	10	50	Milan	S	5	41
Bmghm.	C	4	39	Montrl.†	F	2	28
Blackpl.	S	6	43	Moscow	S	5	23
Bordx.	S	6	43	Munich	S	1	34
Boulgn.	S	2	36	Nairobi	C	28	82
Bristol	F	6	43	Naples	S	9	48
Brussels	S	0	32	Nwcstl.	C	5	41
Budpst.	S	4	39	N.York†	C	−1	—
Cairo	F	16	61	Nice	F	11	52
Cardiff	F	5	41	Nicosia	F	11	52
Cas'b'ca	C	13	55	Oporto	S	15	59
Cape T.	S	29	84	Oslo	F	3	27
Chicg.†	C	0	32	Paris	S	2	28
Cologne	S	2	36	Perth	S	27	81
Corfu	S	10	50	Prague	F	2	36
Denver†	C	2	36	Rykjvk.	C	2	36
Dublin	S	8	46	Rhodes	S	9	48
Dbrvnk.	S	8	46	Rome	C	10	50
Ednbgh.	S	5	41	Salzbrg.	S	10	43
Faro	C	14	57	S'cisco†	C	11	52
Florence	S	9	48	S'tiago†	F	31	88
Frankft.	S	0	32	Stckhm.	C	2	36
Geneva	S	1	34	Strasbg.	S	2	36
Gibrltr.	S	16	61	Sydney	S	30	86
Gl'sg'w	S	6	43	Tangier	S	17	63
G'nsey	F	5	41	Tel Aviv	C	14	57
Helsinki	S	7	19	Tenerife	C	17	63
H. Kong	C	24	75	Tokyo	F	17	63
Innsbrk.	S	1	34	T'r'nto†	F	3	37
Invrnss.	S	5	41	Tunis	F	14	57
I.o.Man	S	6	43	Valencia	F	12	54
Istanbl	Sn	0	32	Venice	S	5	41
Jersey	S	5	41	Vienna	C	2	36
L. Plms.	S	19	66	Warsaw	R	10	50
Lisbon	S	13	55	Zurich	C	1	34
Locarno	C	4	39				

C—Cloudy. F—Fair. Fg—Fog. H—Hail. R—Rain. S—Sunny. Sl—Sleet. Sn—Snow. T—Thunder.
† Noon GMT temperatures.

THE LEX COLUMN

Sainsbury on a pinnacle

Index fell 8.7 to 484.5

The UK's startling balance of payments surplus—£957m on current account in the month of January—seems to have been achieved without any import elimination by striking seamen: the recession did the job all by itself. With the New York market closed yesterday, sterling remained weak against the dollar, but the main foreign exchange pressure is still on the Deutsche Mark.

J. Sainsbury

Sainsbury has been one of the stock market's most spectacular performers over the past year, rising by 150 per cent in absolute terms, 125 per cent against the All-Share, and largely responsible for the outperformance of the food retailing sector of which it now constitutes more than a third. A report on the company by brokers Capel-Cure Myers offers plenty of persuasive justification for Sainsbury's premium rating. But CCM are uneasy about the share price since they do not believe investors are fully prepared for a pedestrian performance in 1981-1982, when they expect Sainsbury's profits to rise by little more than 10 per cent pre-tax.

CCM have no difficulty in constructing a forecast of solid growth for Sainsbury over the next few years taken as a whole. They are, however, expecting that the current costs squeeze will continue, with retailers' costs rising faster than food selling prices (which in Sainsbury's case have been held unchanged for the last six months). Sainsbury may be able to counter this through volume growth and increased labour productivity, but for the industry as a whole it must spell trouble.

As a result of slowing inflation and the sometimes marginal return after interest on new store openings, food retailers are no longer effortless generators of cash, and Sainsbury may soon become a substantial borrower, if on nothing like the scale of Tesco. The food majors' experience in non-food retailing has not been especially happy (Sainsbury has been dragging its heels here, although it will now be incurring start-up losses in DIY). In the longer term, the spectre of an all-out fight between the major food retailers, once they reach the limits of expansion at the expense of the independents, must make for unease.

Already the high level of food retailing shares is flushing out some new supply in the form of the recent Sainsbury family placing of 2m shares and the Asda rights issue — which also reflects the lack of internal cash generation for physical expansion. The institutional investors who have felt such an urgent need to build up their weightings in Sainsbury over the past year and have bid the stock up to more than 20 times fully taxed earnings are running out of reasons to push it higher.

Toyota Motor

Toyota's domestic sales volume has fallen by almost a tenth in its first half year (July-December) and pre-tax profits of the parent company have slipped by a fifth, mainly because rising production costs have not been passed on. In the current half, domestic volume should recover, helped by buying ahead of a duty rise. But export volume, which has shown a 15 per cent gain in the first six months, is budgeted to fall by a similar proportion in the current half, as the Japanese manufacturers react to head off protectionist pressure abroad. So the picture for the full year will be a little brighter.

Meanwhile, the company is pushing capital spending sharply higher, but the share performance remains stodgy with the price of Y750 (unchanged yesterday) little above the 1980 low of Y715. A yield less than 2 per cent and continuing concern over protectionism means that the foreign stake in the company remains minimal.

Lonrho/Fraser

Lonrho's formal offer document for House of Fraser is a restrained and straightforward affair; although Lonrho is no doubt keeping a trick or two up its sleeve, there is no attempt to force the pace by setting an early time limit for the bid. The document shows that Lonrho's debt rose from £469m to £55.. between September and January and, although the cash offset is also up by £25m to £133m, there seems to have been an underlying outflow, since the debt relating to confirming activities is little changed. This underlines the high gearing that a combined Lonrho/Fraser group would have after a successful cash bid, especially since Fraser's published borrowings in its January balance sheet are presumably at a seasonal low.

There is little comfort for Fraser's existing directors: in a passage that they must surely be picking over carefully, Lonrho indicates that the Fraser board will continue to include directors with "extensive experience" of Fraser's operations. Lonrho may well be of the opinion, after all, that its own members of Fraser's board fulfil this criterion.

Sunday Times

Whatever the case of The Times, Mr. Biffen is on thin ice when he seeks to justify his decision not to refer the acquisition of the Sunday Times to the Monopolies Commission by arguing that it is not economic as a going concern. The figures released yesterday show that even after all the adjustments this publication is generally profitable. On Mr. Biffen's basis few newspaper bids will trouble the Commission.

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